S. HRG. 98-784

NATIONAL FISHERIES MARKETING COUNCIL

HEARINGS

BEFORE THE

NATIONAL OCEAN POLICY STUDY

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 2160

TO ESTABLISH A NATIONAL FISHERIES MARKETING COUNCIL TO ENABLE THE UNITED STATES FISH INDUSTRY TO ESTABLISH A COORDINATED PROGRAM OF RESEARCH, EDUCATION, AND PROMOTION TO EXPAND MARKETS FOR FISHERIES PRODUCTS, AND FOR OTHER PURPOSES

FEBRUARY 9 AND MARCH 23, 1984

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NATIONAL FISHERIES MARKETING COUNCIL

THURSDAY, FEBRUARY 9, 1984

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
NATIONAL OCEAN POLICY STUDY,
Washington, D.C.

The committee and the National Ocean Policy Study met, pursuant to notice, at 2:18 p.m., in room SR-253, Russell Senate Office Building, Hon. Ted Stevens presiding.

Staff members assigned to this hearing: James Gilmore, professional staff member; and James Drewry, minority staff counsel.

OPENING STATEMENT BY SENATOR GORTON

Senator GORTON [presiding]. In the temporary absence of Senator Stevens, I will call this meeting of the full Commerce Committee and the National Ocean Policy Study to order. Senator Stevens will be here shortly. He does have an opening statement which he will present when he arrives.

For myself, I can only begin by commenting on S. 2160. Strengthening our fishing industry and increasing the consumption of American fishery products are both worthwhile goals for the Congress and industry to pursue. Creating a quasi-governmental entity to undertake marketing activity is the focus of this proposal.

I must confess to some concerns over this approach, but the intent obviously is wise and important, and the bill is designed to be as helpful as possible.

[The bill follows:]

II

98TH CONGRESS
1ST SESSION

S. 2160

To establish a National Fisheries Marketing Council to enable the United States fish industry to establish a coordinated program of research, education, and promotion to expand markets for fisheries products, and for other purposes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 18 (legislative day, NOVEMBER 14), 1983

Mr. STEVENS (for himself, Mr. HATFIELD, Mr. HATCH, Mr. TRIBLE, Mr. PELL, Mr. MURKOWSKI, Mrs. HAWKINS, and Mr. CHILES) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

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A BILL

To establish a National Fisheries Marketing Council to enable the United States fish industry to establish a coordinated program of research, education, and promotion to expand markets for fisheries products, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be cited as the "National Fisheries Marketing Council Act of 1983".

FINDINGS

SEC. 2. The Congress finds that—

(1) the commercial fishing industry of the United States significantly contributes to the national economy, and could make a greater contribution if it utilized all fish resources within the United States Exclusive Economic Zone;

(2) the commercial fisheries of the United States provide significant employment in coastal areas and in processing and distribution centers;

(3) fish products contribute an important nutritional component to the American diet;

(4) due to the small and independent nature of the fishing industry, and the regional diversification of harvesting and production, no one entity in the industry is capable of securing the level of effort necessary to provide an effective generic marketing program for fish products;

(5) Federal marketing programs for commercial fisheries are unable to meet present and future national needs;

(6) many fish species are underutilized by the United States fishing industry because of underdeveloped markets; and

(7) the United States fishing industry has the potential to greatly expand its contribution to interstate

and foreign commerce, favorably affecting the balance of trade.

PURPOSE

SEC. 3. The purpose of this Act is to—

(1) strengthen the competitive position of the United States commercial fishing industry in the domestic and international marketplace;

(2) encourage the development and utilization of all species of fish available for harvest by the United States industry;

(3) encourage the utilization of domestic fish products through enhancement of markets, promotion, and public relations;

(4) help the United States fishing industry develop methods to improve quality and efficiency in the marketplace;

(5) educate and inform the consumer on the use of United States fish products;

(6) develop better coordination of fisheries marketing activities with commercial fisheries research and development programs; and

(7) educate and inform the public about the nutritional and health value of fish and fish products in the diet.

DEFINITIONS

SEC. 4. As used in this Act, the terms—

(1) "Administrator" means the Administrator of the National Oceanic and Atmospheric Administration;

(2) "Council" means the National Fisheries Marketing Council established pursuant to section 5;

(3) "consumer education" means actions undertaken to inform consumers on aspects of fish or fish products;

(4) "fish" means finfish, mollusks, crustaceans, and all other forms of marine and freshwater life used for human consumption;

(5) "Fund" means the fund established pursuant to section 8;

(6) "harvester" means any person who takes fish for commercial purposes;

(7) "marketing" means the sale or other introduction of fish or fish products into domestic or foreign commerce;

(8) "promotion" means any action undertaken to expand consumer demand for fish or fish products;

(9) "receiver" means any person who acquires fish for sale from a harvester and/or importer; and

(10) "research" means activities conducted to improve the quality, marketability, production or desirability of United States fish or fish products.

ESTABLISHMENT OF THE NATIONAL FISHERIES MARKETING COUNCIL

SEC. 5. (a) There is established the National Fisheries Marketing Council.

(b)(1) The Council shall be composed of sixteen members, including fifteen voting members appointed by the Administrator.

(2) Nominations for appointees shall be submitted in a manner prescribed by the Administrator.

(3) Nominees shall be knowledgeable or experienced with regard to the United States fish industry.

(c) The Council shall be comprised of regional representation and the regions shall follow State groupings as defined in the National Marine Fisheries Service (NMFS) Regional Organization (Department of Commerce, Department Organization Order 25–5B, Exhibit 3).

(d) The voting members of the Council shall be—

(1) three members from the Northeast region of whom at least one member shall be a harvester and one a processor;

(2) three members from the Southeast region of whom at least one member shall be a harvester and one a processor;

(3) three members shall be appointed from the Northwest and Southwest combined regions of whom at least one member shall be a harvester and one a processor;

(4) three members shall be appointed from the Alaska region of whom at least one member shall be a harvester and one a processor;

(5) one member at-large with demonstrated expertise in the United States fishing industry;

(6) one member at-large with demonstrated expertise in the consumer and retail segment of the food industry; and

(7) one member at-large with demonstrated expertise in freshwater and inland commercial fisheries.

(e) one member of the Council shall be the Administrator, or his designee, who shall serve as a nonvoting member.

(f) Members appointed under subsection (b) (1), (2), (3), or (4) shall be residents or doing business in the fishing industry in the region such member is appointed to represent.

(g)(1) The first members appointed or designated to serve under subsections (b) (5), (6), and (7), shall be appointed for a term of one year. Thereafter, such appointments shall

be for a term of three years, or until a replacement is appointed, whichever is later.

(2) The first six members appointed under subsections (b) (1) and (2) shall serve for a term of two years. Thereafter, such appointments shall be for a term of three years.

(3) Members appointed under subsections (b) (3) and (4) shall serve for a term of three years.

(4) The tenure of a voting member may not exceed two successive terms.

(h) Eleven members of the Council shall constitute a quorum, but a lesser number may hold hearings.

(i) The Council shall annually elect a Chairman by a majority of those voting if a quorum is present.

(j) A vacancy in the Council shall not affect its ability to function. The member shall remain on the Council until a successor is appointed and such appointment shall occur within ninety days.

(k) The Council shall first meet within one hundred and eighty days after the date of enactment of this Act.

(l) Members of the Council shall serve without compensation, but shall be reimbursed for reasonable travel and expenses incurred in performing their duties as a member of the Council.

FUNCTIONS AND DUTIES OF THE COUNCIL

SEC. 6. (a) The Council shall—

(1) propose to the Administrator orders and amendments thereto;

(2) administer orders issued by the Administrator under section 7;

(3) propose rules to effectuate such orders;

(4) receive, and report to the Administrator, complaints of violations of such orders or rules;

(5) develop and implement advertising, promotion, consumer education, research, and development plans or projects;

(6) submit to the Administrator, for his comment, budgets of the anticipated expenses and disbursements of the Council including probable costs of promotion, consumer education, research, and development plans or projects;

(7) maintain accounting records of the receipt and disbursement of all funds entrusted to it;

(8) maintain such books and records as the Administrator determines appropriate; and

(9) prepare and submit to the Administrator from time to time such reports as the Administrator determines appropriate.

(b) An annual marketing plan and budget shall be developed and implemented by the Council and shall—

(1) include plans and projects for promotion and consumer education with respect to the use of domestic fish and fish products so long as—

(A) such plan or project shall be directed toward increasing the general demand for United States fish and fish products;

(B) no reference to a private brand or trade name shall be made in such plan or project if such reference will result in undue discrimination against fish and fish products of other persons; and

(C) no plan or budget shall make use of deceptive acts or practices in behalf of fish and fish products or deceptive acts or practices with respect to quality, value, or use of any competing product;

(2) provide for the establishment and administration of research, promotion, and consumer education projects and studies with respect to sale, contribution, or utilization of United States fish and fish products and the creation of new products thereof, in order to—

(A) encourage, expand, improve, or make more acceptable the marketing and utilization of United States fish and fish products; and

(B) improve the dissemination of data collected by such activities; and

(3) provide for the disbursement of necessary funds for such purposes.

(c) The Council may employ and determine the salary of an executive director not to exceed Senior Executives Service Grade . The executive director may, with the approval of the Council, select and employ additional staff as necessary.

(d)(1) The Council may enter into contracts or agreements to develop and carry out activities authorized under this Act.

(2) Contractors shall—

(A) develop and submit to the Council a plan or project together with a budget which indicates estimated costs to be incurred for such plan or project;

(B) maintain accurate records of all transactions which relate to activities authorized under such order;

(C) make periodic reports to the Council on such activities and such other reports as the Administrator may require; and

(D) maintain accounting records of the receipt and disbursement of all funds received under such order.

DUTIES OF THE ADMINISTRATOR

SEC. 7. (a) The Administrator shall—

(1) issue orders of the Council and amendments thereto and promulgate necessary regulations submitted by the Council as provided under this Act;

(2) review the annual marketing plan and budget;

(3) provide for the collection of the assessment required under subsection (c) in order to finance the activities of the Council; and

(4) provide such administrative and remedial support services as are necessary for the effective functioning of the Council.

(b)(1) Except as provided in paragraphs (2) and (3), any information obtained pursuant to subsection (a)(3) shall be kept confidential by all officers and employees of the National Oceanic and Atmospheric Administration, the Council, and all other persons who have access to such information.

(2) If the Administrator or an employee of the United States Government is party to a suit or administrative action involving an order issued under section 7 of this Act, the Administrator may disclose information obtained under subsection (a)(3) to the extent allowed by the judicial or administrative officer presiding over such suit or action.

(3) This subsection shall not prohibit—

(A) the issuance of general statements based upon—

(i) the reports of the number of persons subject to an order which do not identify the information furnished by any person; or

(ii) statistical data based on such statements; or

(B) the publication by direction of the Administrator of the name of any person violating an order and a statement of the particular provisions of the order violated by such person.

(4) Any officer or employee violating this subsection shall, upon conviction, be—

(A) subjected to a fine of not more than $1,000 or, if intent is found, to imprisonment for not more than one year, or both; and

(B) removed from office if an officer or employee of the Council or the National Oceanic and Atmospheric Administration.

(c)(1) Processors shall make their books and records available for inspection solely for the purpose of determining the correct assessment fees as described in section 7(c)(2).

(2) For those persons engaged in the fishing industry with gross revenues of $100,000 or more, the Administrator shall issue an order, to be administered by the Council, to collect, beginning October 1, 1986, an assessment equal to 0.2 per centum of the price of fish—

(A) sold by a harvester to a receiver; or

(B) imported into the United States;

(3) The assessments shall, in the manner prescribed by an order of the Administrator, be—

(A) paid and transmitted—

(i) by a processor to the Council; or

(ii) by an importer to the Council; and

(B) deposited by the Council in the Fund.

(4) The Council may prepare and submit orders to the Administrator increasing the rate of assessment to such level as the Council determines necessary to effectuate the purposes of this Act, except that the Council may not raise the rate in any fiscal year by more than 0.1 per centum of a sale assessed pursuant to paragraph (1).

(5) To facilitate the collection of assessments, the Council may vary assessment collection procedures between different types of receivers to reflect differences in marketing practices or procedures utilized in the industry.

(d)(1) The Administrator may maintain a suit against a person subject to an order for the collection of such assessment.

(2) Any district court of the United States shall have jurisdiction to entertain such suit.

ESTABLISHMENT OF REVOLVING FUND

SEC. 8. (a) There is established a revolving fund to carry out the activities of the Council.

(b) Except as provided in subsection (c), there shall be deposited in the Fund—

(1) subject to appropriations, from the fisheries loan fund established pursuant to section 4(c) of the Fish and Wildlife Act of 1956 (16 U.S.C. 742c (c))—

(A) the sum of $10,000,000, not later than September 30, 1984;

(B) the sum of $10,000,000, not later than September 30, 1985;

(C) the sum of $4,000,000, not later than September 30, 1986; and

(D) the sum of $4,000,000, not later than the beginning of each fiscal year thereafter, subject to the availability of funds;

(2) subject to appropriations, from the fund used by the Administrator pursuant to section 2(b) of the Act entitled "An Act to authorize the Federal Surplus Commodities Corporation to purchase and distribute surplus products of the fishing industry", approved August 11, 1939 (commonly referred to as the Saltonstall-Kennedy Act, 15 U.S.C. 713c–3(b))—

(A) the sum of $4,000,000, not later than September 30, 1984;

(B) the sum of $4,000,000, not later than September 30, 1985;

(C) the sum of $4,000,000, not later than September 30, 1986; and

(D) the sum of $4,000,000, not later than September 30, 1987;

(3) such sums as are collected by assessment pursuant to section 7(c); and

(4) such sums as are contributed by private sources.

(c) All sums in the Fund may be used by the Council without regard to fiscal year limitation.

(d) Except as provided in section 6(a)(4), no sums in the Fund may be used by the Council for the purpose of influencing governmental policy or action.

(e) All sums received from private sources pursuant to section 8(b) (3) and (4) shall not be subject to annual appropriations.

REFUND OF ASSESSMENT FROM THE COUNCIL

SEC. 9. (a) Notwithstanding any other provisions of this Act, any receiver or importer who has paid the assessment due under this Act shall have the right to request and receive

a refund of such assessment from the Fund at the end of the calendar year in which the assessment was paid.

(b) Such a request shall be made in accordance with an order issued under section 7 by the Administrator.

(c) Any such refund shall be made from the Fund within sixty days after such request is received therefor.

CONTINUATION OF THE COUNCIL

SEC. 10. (a)(1) No later than January 1, 1990, the Council shall survey those persons who have paid an assessment as described in section 7(c) of this Act to determine the continuation of the Council.

(2) The survey shall be based upon the relative value of assessment from each member. The Council may use an average over years to determine the relative value of each member's assessment.

(3) On a weighted average basis, if 35 per centum or more of the persons surveyed disapprove the continuation of the Council, the Council shall terminate within ninety days after the date of such survey.

(b)(1) At any time thereafter, the continuation of the Council may be challenged when 20 per centum or more of the members of the fishing industry who have been assessed request a refund of their assessment and a petition is filed requesting such action.

(2) On a weighted average basis, if 35 per centum or more of the persons surveyed disapprove the continuation of the Council, the Council shall terminate within ninety days after the date of such survey.

(c) If the Council is terminated pursuant to subsection (a)(3) or (b)(2), all sums remaining in the Fund on the date of termination shall be transferred to their original source.

ADMINISTRATIVE REVIEW OF ORDERS

SEC. 11. (a)(1) Any person subject to any order issued under section 7 of this Act may file a written petition with the Administrator stating that such order is not in accordance with law and the modification or exemption sought from such order.

(2) The person shall have an opportunity for a hearing on the petition in accordance with regulations promulgated by the Administrator.

(3) After such hearing, the Administrator shall make a final ruling.

(b)(1) If a complaint is filed within twenty days after the date of the entry of a final ruling, the district courts of the United States in any district in which such person is a resident, or has his principal place of business, have jurisdiction to review such ruling.

(2) If the court determines that such ruling is not in accordance with law, it shall remand such proceedings to the Administrator.

(3) The pendency of proceedings instituted pursuant to subsection (a) shall not impede the United States or the Administrator from obtaining relief pursuant to section 12.

CIVIL ENFORCEMENT PROCEEDINGS

SEC. 12. (a) The purpose of this section is limited to the enforcement of assessments and shall not be utilized for any other purpose.

(b)(1) The several district courts of the United States have jurisdiction specifically to enforce, and to prevent and restrain any person from violating, any order or regulation made or issued pursuant to this Act.

(2)(A) Except as provided in subparagraph (B), any civil action authorized to be brought under this subsection shall be referred to the Attorney General for appropriate action.

(B) If the Administrator believes that the administration and enforcement of the program would be adequately served by taking administrative action pursuant to subsection (b) or providing written notice or warning to any person committing a violation of this Act, the Administrator is not required to refer such violation to the Attorney General.

(c)(1)(A) Any person who violates any provisions of any order or regulation issued by the Administrator pursuant to

this Act, or who fails or refuses to pay, collect, or remit any assessment required under this Act, may be assessed a civil penalty by the Administrator of not less than $500 or more than $5,000 for each such violation. Each violation shall be a separate offense.

(B) In addition to or in lieu of such civil penalty, the Administrator may issue an order requiring such person to cease and desist from continuing such violation.

(C) No penalty shall be assessed or cease and desist order issued under this paragraph unless such person is given notice and opportunity for a hearing before the Administrator with respect to such violation.

(D) The order of the Administrator assessing a penalty or imposing a cease and desist order shall be final and conclusive, unless the affected person files an appeal from the Administrator's order with the appropriate United States court of appeals.

(2)(A) Any person against whom a violation is found and a civil penalty assessed or cease and desist order issued under paragraph (1) may obtain review of such action in the court of appeals of the United States for the circuit in which such person resides or has his place of business or in the United States Court of Appeals for the District of Columbia Circuit by filing a notice of appeal in such court within thirty days of

the date of such order and by simultaneously sending a copy of such notice by certified mail to the Administrator.

(B) The Administrator shall promptly file in such court a certified copy of the record upon which such violation was found.

(C) The findings of the Administrator shall be set aside only if found to be unsupported by substantial evidence.

(3) Any person who fails to obey a cease and desist order after it has become final shall be subject to a civil penalty assessed by the Administrator of not more than $500 for each offense. Each day during which such failure continues shall be a separate offense.

(4)(A) If any person fails to pay an assessment of a civil penalty after it has become final, the Administrator shall refer the matter to the Attorney General.

(B) The Attorney General shall recover the amount assessed in a district court of the United States.

(C) In such action, the validity and appropriateness of the final order imposing the civil penalty shall not be subject to review.

INVESTIGATIONS BY THE ADMINISTRATOR AND JUDICIAL ENFORCEMENT

SEC. 13. (a) The Administrator may make such investigations as he determines necessary to—

(1) carry out his responsibilities under this Act; and

(2) determine whether a harvester, processor, or any other person has engaged or is about to engage in any acts or practices which constitute a violation of this Act.

(b) For the purpose of such investigation, the Administrator may administer oaths and affirmations, subpena witnesses, compel their attendance, take evidence, and require the production of any books, papers, and documents which are relevant to the inquiry.

(c) Such attendance of witnesses and the production of any such records may be required from any place in the United States.

(d) In case of contumacy or refusal to obey a subpena by any person, the Administrator may invoke the aid of any court of the United States within the jurisdiction of which such investigation or proceeding is carried on, or where such person resides or carries on business, to require the attendance and testimony of witnesses and the production of books, papers, and documents. Such court may issue an order requiring such person to appear before the Administrator to produce records or to give testimony relating to the matter under investigation.

AUTHORIZATION OF APPROPRIATIONS

SEC. 14. There is authorized to be appropriated such funds as are necessary to carry out this Act.

Senator GORTON. Now, I regret that the first witness listed on our witness list, Bill Gordon, Assistant Administrator for Fisheries of the National Oceanic and Atmospheric Administration, is not here today. Anytime the administration opposes a bill in as blanket a fashion as it does this one, it is important that we hear from the administration's representative and question him as closely as possible.

With that, I look forward to the testimony of the witnesses who are here. We will begin with panel No. 1, Richard Martin, David Burney, Bob Morgan, and Kathryn Nordstrom. If they would step forth and present their formal testimony in that order, we would appreciate it.

You may proceed.

STATEMENTS OF RICHARD MARTIN, SECRETARY, NATIONAL FISHERIES INSTITUTE, INC.; DAVID BURNEY, COUNSEL, U.S. TUNA FOUNDATICN; AND BOB MORGAN, PRESIDENT, AND KATHRYN NORDSTROM, VICE PRESIDENT AND WASHINGTON REPRESENTATIVE, PACIFIC SEAFOOD PROCESSORS ASSOCIATION

Mr. MARTIN. Good afternoon, Senator.

My name is Richard Martin. I am the secretary of the National Fisheries Institute, which is a trade association of 1,300 members which harvest, process, and market fish and seafood throughout the United States. Our institute is the largest organization serving the U.S. fish and seafood industry and one of the oldest.

We support S. 2160. We urge its passage. We believe, however, that the bill requires several modifications.

Senator, with your permission, to save time, I would like to submit my written testimony for the record.

Senator GORTON. We would be delighted to include your written testimony as if it had been read in full, and allow you to summarize it.

Mr. MARTIN. Thank you, sir. Also, I would like to submit along with that a report titled "Seafood: An Undermarketed Industry," presented by Robert Buzzell at an international seafood conference in Vienna in November.[1]

Senator GORTON. Without objection, it will be included in the record.

Mr. MARTIN. Thank you, Senator.

[1] Retained in committee files.

I would like to make some general comments about my testimony.

Senator GORTON. Please proceed.

Mr. MARTIN. We all know that fish and seafood is not an overutilized species in the consumption habits of the U.S. consumers. Compared to red meats and poultry, we are considerably behind their consumption. A general review of the consumption of seafood would show that we were on a plateau for some 30, 35 years of about 10 to 11 pounds per capita of consumption, with an increase to the 12- to 13- pound range from the midsixties until 1975.

Generally from 1975 to the present we have been on a slight decline. What has happened within our industry is that we have been having shifts occurring between fresh and frozen seafood, between shellfish, and between fin fish items, rather than any increased consumption of fish and seafood.

The Congress has been well aware of the potential of the seafood industry and has enacted legislation in the past to set the stage for increased production, through the Magnuson Fishery Conservation and Management Act. The emphasis has been on making it easier to harvest the product. Precious little, however, has been done to encourage consumption. Perhaps we have been approaching the problem from the wrong direction.

If the U.S. market can be encouraged to consume more fish then it could be probable and possible that the industry would produce more fish.

Increasing the consumption of fishery products is a long-term effort. It involves many changes at all levels of the industry to improve the availability, the quality, and the economic value of the products. The industry is working toward these goals, with much research being supported by the Saltonstall-Kennedy funds. The missing ingredient has been a major sustained consumer education program.

The institute is very pleased that the mandate of the proposed council involves consumer education. Consumers, we believe, would benefit from additional information concerning the high nutritional benefits of fish and the great variety of fish and shellfish. We believe that a properly coordinated marketing effort would both increase overall demand and better coordinate our production capacities with our marketing capacities.

We belong to an industry that is characterized at the harvesting, processing, and distributing levels by many highly competitive, individualistic, and diverse companies. Our companies are handling a wide variety of different products, and we believe that some generic approach to seafood would be very helpful to the overall consumption of fish and seafood in the United States.

Turning to the specifics of the bill, the institute makes two strong recommendations. The first is that a referendum vote be taken within the industry prior to any assessments being made. It is essential that the assessments be fair and that the companies assessed receive benefits in appropriate relation to their payments.

Because of the great diversity of companies and products involved, we believe that it is preferable to let the council develop an assessment program and submit it for a vote before the collections

begin. Too many proposed marketing programs have failed because of the perceived unfairness of the assessments.

Second, we feel that those paying assessments and wishing a refund should not have to wait 1 year for their money. We would propose a term of 60 days following the request for refund.

In conclusion, in the past few years, the Congress has acted decisively to help our industry, again primarily from the standpoint of increasing production. We feel that the industry could stand the same type of assistance in increased consumption.

I thank you for the opportunity to testify on this important legislation, and I would be ready to answer any questions you may have.

[The statement follows:]

STATEMENT OF RICHARD MARTIN, SECRETARY, NATIONAL FISHERIES INSTITUTE

Good Afternoon, my name is Richard Martin. I am Secretary of the National Fisheries Institute, a trade association of 1,300 member companies which harvest, process and market fish and seafood throughout the United States. The Institute is the largest organization serving the U.S. fish and seafood industry and one of the oldest. We support S. 2160 and urge its passage. We believe, however, that the bill requires several modifications.

It's well known that fish and seafood products do not make up a major part of the overall food consumption in the United States. In the category of animal proteins, fish is a distant third behind red meats and poultry. For the record, according to the United States Department of Agriculture, U.S. consumers in 1981 ate, on a per capita basis, 145 pounds of red meat, 63 pounds of chicken, and 13 pounds of fish and shellfish.

The actual usage of fish and shellfish is not as low as the numbers appear since the fish products are measured on an edible weight basis, while meat and poultry figures are carcass weight which means they include a fair amount of waste.

No matter how the consumption is calculated, it's apparent that fish products have a way to go before becoming more important factors in the total diet.

A review of the statistics shows some interesting trends in the consumption patterns. For a period of about 35 years, following World War II, fish and shellfish per capita consumption was at a plateau on the 10–11 pound range. The in the mid-sixties, after the change in Catholic dietary regulations, per capita consumption grew to the 12–13 pound range, an increase of 20 to 30 per cent. This increase was registered mainly in increased use of fresh and frozen products with canned fish remaining stable and cured products declining.

Unfortunately, this growth trend which peaked in 1975 has now tapered off so the industry is presently in a position of internal competition. By this, I mean there are shifts occuring between fresh fish and frozen fish; between various species; and between finfish and shellfish. The growth of the industry depends on an increase in the overall usage, not in shifts between the many resources which make up the industry.

Much has been discussed before this Committee in the past regarding the great potential of the U.S. fish industry, to add to the nation's employment and gross national product. The estimates of this potential vary. Conservatively, one need look only at the amount of resource presently allocated to foreign fleets as base minimum potential. The total exceeds 3-billion pounds and approximates the current U.S. catch of finfish. The value of much of these resources now being by foreign fleets is relatively low, but tonnage of this magnitude, if handled entirely by U.S. interests should mean scores of thousands of jobs and revenues above the billion dollar mark.

The Congress has been well aware of this potential and has enacted legislation in the past to set the stage for it. The Magnuson Fishery Conservation and Management Act is a cornerstone for development. Through the years, however, the emphasis has been on making it easier to harvest the product.

Precious little has been done to encourage consumption. Perhaps we have been approaching the problem from the wrong direction. If the U.S. market can be encouraged to consume more fish, it seems that the industry will respond by catching and processing to fill that need, in view of the readily available resource.

The need to increase fish consumption should be viewed from another perspective than development, jobs, and GNP. Some years ago, the Senate Committee on Nutrition and Human Needs issued a controversial report which simply said the health of our citizens could be enhanced by dietary changes, specifically increasing use of such foods as fish and poultry and decreasing use of red meat.

While controversial, this early work continues to be borne out by other research. Just this past month, the prestigious National Heart, Blood and Lung Institute issued a definitive report linking heart disease to cholesterol level. Fish, once again, is recommended as valuable food to achieve the healthful dietary changes.

Increasing consumption of fishery products is a long term effort. It involves many changes at all levels of the industry to improve the availability, the quality and the economic value of the products. The industry is working toward these goals, with much research being supported by the Saltonstall-Kennedy grants program.

The missing ingredient is a major sustained consumer education program. Research has shown that many potential consumers remain uncomfortable with selection and preparation of fish products. Thus, the Institute is pleased that the mandate of the proposed Council involves consumer education. Consumers, we believe, would benefit from additional information concerning: (1) the high nutritional and health benefits of eating fish and seafood; (2) the great variety of fish and shellfish; and (3) the many different ways to prepare them. A national marketing and consumer education program for fish and seafood would help offset the impacts of the advertising of nutritionally inferior foods and aid consumers in getting more for their food dollar.

We believe that a properly coordinated marketing effort could both increase overall demand and better coordinate our production with consumer demand. For example, the Marketing Council proposed in S. 2160 could target its efforts during those months when production is high and demand is low. In this way, a marketing program could smooth out the cycle of surpluses and shortages present in many of our fisheries. This would benefit both our industry and the consumer.

Our industry is characterized at the harvesting, processing and distributing levels by many highly competitive, individualistic and diverse companies. These companies are handling a wide variety of different products. While the marketing of brand names appear to be increasing, much of our domestic supply and imports of whole fish continue to be distributed as generic products. Under these circumstances, we believe it is appropriate for the Federal government to play a catalytic role in helping our industry organize a coordinated marketing program for our products, especially since the funding would be derived from revenue sources generated in the past by tariffs collected on imported fish products.

Turning to the specifics of the bill, the Institute makes two strong recommendations.

First, a referendum vote should be taken within the industry before assessments ar made. Giving the Council the authority to delay the first referendum vote until 1990 (after four years of assessments have been made) is unwise. It is essential that assessments be fair and that those companies assessed receive benefits in appropriate relation to their payments. Because of the great diversity of companies and products involved, we believe that it is preferable to let the Council develop an assessment program and submit it for a vote before collection begin. Too many proposed marketing programs have failed because of the preceived unfairness of the assessments. We should take the time to do it right before we begin.

Second, those paying assessments and wishing a refund shoud not have to wait a year for their money. We recommend that refunds be made within 60 days of the request.

In conclusion, in the past few years the Congress has acted decisively to provide opportunities for our industry to expand and provide fish and seafood to American consumers. It passed and then strengthened the Magnuson Fishery Conservation and Management Act to provide for the conservation and productive use of our nation's resources. It also enacted the American Fisheries Promotion Act which encouraged development to replace foreign operations in our coastal waters. These improvements in the availability of supply, however, will be of limited benefit unless they are matched with a corresponding expansion of the market. We think passage of S. 2160 with the changes we have suggested would accomplish this and urge this Committee to support them.

Thank you for the opportunity to testify on this important legislation. I am ready to answer any questions the Committee might have on my statement.

Senator GORTON. Thank you, Mr. Martin.

Mr. Burney, you are second.

I did not note at the beginning of Mr. Martin's testimony that because of the length of the hearing today, we are operating under a 5-minute rule. Your entire written testimony will be included in the record, please try to summarize it in about 5 minutes.

Mr. BURNEY. All right. Rather than summarize the written testimony, I would like to make a few comments in further explanation of why we have taken the position that we have.

Just as you have said, Mr. Chairman, we support the intent of S. 2160, and we think that it has some merit for certain fisheries in the United States if it were modified. I think a number of modifications are in order. We believe that the size of the council is entirely too large. We also believe that more consideration should be given to the quality of the individuals that serve on such a council as opposed to the quantity.

It is always nice when dealing with fisheries to try to regionalize everything, to try to share participation among harvesters, processors, and others connected with the industry. But we feel if you really want to get into a first rate, a meaningful marketing program, you have to look for people who have marketing expertise. Otherwise, this thing is going to die of its own weight.

The reason that the tuna industry feels quite strongly that this should be a voluntary program is the fact that the tuna industry over the years has expended a great deal of time, energy, and money in developing a very complex and successful marketing system for canned tuna. Canned tuna is somewhat different than a number of other fishery products, namely because of its versatility.

We like to extol the virtues of all fish because of its nutritional value, and it is a high protein, low-priced item. That is also true of tuna. But the way tuna is marketed, it is marketed on the basis of its taste, which is comparable to chicken, and that has certainly been one of the keys to marketing tuna, and also on the versatility and the long shelf life, and the tuna industry does not believe that they would receive benefits commensurate with the cost of such a national marketing program as envisioned in S. 2160.

That does not mean that we feel that the program has absolutely no merit. As I said earlier, we believe that it does have merit for certain fisheries, and we believe that they should certainly share in the cost if they are going to derive a benefit.

Tuna—I want to stress this—is going through a very, very difficult economic period right now, and it is due to the fact that there has been a deluge of imports into this country of canned tuna products. I think other fisheries that are testifying here today could tell you a similar story. One of the great difficulties in developing fisheries in this country is the foreign competition. A lot of that is occasioned by the differential in labor.

And while you can develop a generic marketing program, and you may get greater public attention to the fact that there is a need to eat more fish, and you may get the consumption of seafood up in this country, you are always going to have that parallel problem of competing with imports.

So, I think while looking at a marketing program you have to gear that marketing program also to the fact that you are enhancing at your cost the ability of imports to compete in this country, because the consumer is looking for price. If you tell him a certain

fish product has all the values that that consumer should have, he is also going to look at the price, and if the price is cheaper on an import, that is what he is going to buy.

So, these are parallel considerations, and I think they should be treated as such.

We in the tuna industry believe that any marketing program has to be product-specific and it has to be region-specific. I do not believe, unless you are talking about a consumer education program, that you can expect to market one product, let's say tuna, in New York the same way you are going to market it in Florida. We do not do that.

We spend approximately $30 million a year in a marketing effort, and each marketing effort is individualized. While we are selling the same product, we are selling to different ethnic groups in different parts of the country, and that is how specific you have to get if you want to have a successful marketing approach.

I think that S. 2160 has merit. I think it ought to be rethought. I think there ought to be a great deal of discussion with those who have actually been out in private enterprise and have been involved in the marketing of seafood products, and I believe that if this were done, I think that you will find that there will be a number of fisheries in this country that will participate on a voluntary basis. But I think it is unfair to expect people to be involved in such a program on a mandatory basis.

[The statement follows:]

STATEMENT OF DAVID G. BURNEY, COUNSEL, U.S. TUNA FOUNDATION

Mr. Chairman and members of the Senate Committee on Commerce, Science, and Transportation, I appear today on behalf of the United States tuna industry for the purpose of offering testimony with regard to S. 2160, a bill which would establish a National Fisheries Marketing Council.

For those not familiar with the United States Tuna Foundation, it is a non-profit, mutual benefit corporation representing each of the segments of the United States tuna industry, including tuna vessel owners and operators, tuna vessel crew members, tuna processors, and cannery workers.

The tuna industry supports the objectives of S. 2160 and recognizes that a National Fisheries Marketing Program, as envisioned by the bill, could be of value to certain segments of the United States industry. While the generic marketing program approach will undoubtedly enhance the development of certain underutilized and nontraditional fisheries, it will have little or no effect on the marketing of some traditional fisheries products, such as canned tuna. It is for this reason that we believe that participation in the National Fisheries Marketing Council should be on a voluntary basis.

The tuna industry has expended a great deal of time, energy, and money developing what is recognized as a highly successful marketing program for canned tuna products. It is unfair and unwise to insist that such an industry contribute monetarily to the establishment of a Marketing Council when the money could be expended in a far more prudent and economical manner.

At the present time, the tuna industry is experiencing one of the most severe economic crisis in its history. The tuna industry has watched foreign imports of canned tuna grow from 6 percent of market share to over 20 percent of market share in less than three years. This deluge of imported canned tuna continues to grow at an alarming rate. There are a number of factors which have contributed to this surge of imports, including foreign export subsidies, lower foreign labor costs, and the attraction of the strong U.S. dollar. In order to turn the tide of increased imports, the tuna industry must continue in its efforts to find ways of lowering the cost of production. The assessment, as contemplated in S. 2160, would require the tuna industry to divert substantial sums of money to a marketing program which would not benefit the industry. It would also force the industry to abandon much needed research and development programs aimed at reducing the costs of tuna production.

While the tuna industry does not believe that it is in its best interest to participate in the proposed Marketing Council, it does support the need for the establishment of some form of coordinated marketing effort to assist the underutilized and less established fisheries. We believe that S. 2160 may offer this opportunity but respectfully suggest that certain revisions should be considered.

First, it is our view that the Council, as now proposed, is too large and cumbersome. The quality of individuals serving on the Council is far more important that the quantity. If the Council is to create and maintain a national marketing program, it is essential that its members have experience and expertise in marketing. The desire to balance the Council between harvester and processor and have all geographical regions represented does not appear to promote this objective.

A sixteen member Council is not only cumbersome, the large size tends to reduce the individual member's sense of importance and obligation. A better approach would be to reduce the Council size to a more workable number, such as five, and to provide for the appointment of advisory committees.

The success of the Marketing Council will be determined by the quality of persons selected for membership and the care taken in choosing the Executive Director. It is imperative that the Council members and the Executive Director have some knowledge of marketing and hopefully some knowledge of marketing seafood products. It must be recognized that all seafood products cannot be marketed in the same manner nor can the same seafood products necessarily be marketed the same in different regions. If what is envisioned is merely a plan to promote the consumption of seafood in the United States, then consumer education is the objective, however, if improved marketing is the goal, the Council must be prepared to offer plans on a region-by-region and product-by-product basis.

In summary, we strongly urge that participation in the Marketing Council be solely on a voluntary basis. This will allow those segments of the United States fishing industry that have developed satisfactory marketing programs to more economically budget the use of their revenues. It is obviously not the intent of Congress to penalize those industries that have already developed integrated marketing programs.

Thank you.

Senator GORTON. Thank you very much, Mr. Burney.

Mr. Morgan, welcome.

Mr. MORGAN. Thank you, Senator.

My name is Bob Morgan. I am president of Pacific Seafood Processors Association, a trade association composed of seafood processing companies in Alaska, Washington, and Oregon.

With me today is Kathryn Nordstrom, our vice president and Washington representative.

In addition to PSPA, we are representing Northwest Fisheries Association in this testimony today.

We are all in agreement, I think, about the need to support the U.S. fishing industry. We support the concept of this bill, S. 2160. The fundamental need of our industry is to be in a competitive position with other worldwide suppliers of seafood product. We agree with the assumption that national generic marketing of domestic seafood is lacking and deserves a boost.

In addition, international acceptance of U.S. product is critical to full development of our groundfish resources which we in the northwest have unequivocally supported the total Americanization of the exclusive economic zone.

I had the privilege of serving on the Alaska Seafood Marketing Institute Board from the beginning, and that board has done similar things regionally to the proposals contained in this bill. We feel, at the risk of seeming somewhat immodest, that the reason that ASMI has been so successful is that it has been directed by industry people who have a vested interest in its success.

I think that the establishment of a national marketing council, after further discussion with industry people and possibly making

it a voluntary, or at least having the referendum take place before the bill becomes law, would be preferable to us.

With regard to the type of assessment, it is extremely important to us that the assessment be based on the initial price of the product paid at the first buying of the product in order to be fair and equitable. I have a written document here I would like to present which further states my view.

[The statement follows:]

STATEMENT OF BOB MORGAN, PRESIDENT, PACIFIC SEAFOOD PROCESSORS ASSOCIATION

Mr. Chairman and Committee members, I am Robert F. Morgan, President of the Pacific Seafood Processors Association (PSPA), a trade association composed of seafood processing companies in Alaska, Washington, and Oregon. Accompanying me is M. Kathryn Nordstrom, PSPA Vice President and Washington Representative. We are pleased to be here today to present our organization's views on S. 2160, a bill to create a National Fisheries Marketing Council.

We know that you share with us the desire to increase consumption of domestic seafood, to enhance the condition of the U.S. seafood industry, and to improve cooperative efforts of the industry and the government in pursuit of these goals.

Several avenues to accomplish these kinds of goals currently are under consideration and discussion. The fundamental need of our industry is to be in a competitive position with other worldwide suppliers of seafood products. Existing economic conditions pose a tremendous hurdle for U.S. processors in vying for our share of the world market, including differing currency values, subsidization of foreign operations, trade barrier inequities, and conflicting policies among nations that affect respective fisheries programs.

While many of these concerns loom as larger-than-life problems for this Nation's business community, we realize that some steps can be taken go begin the process that might allow for continued development efforts, and we think that those in the industry must be the moving force behind such programs.

We agree with your assumption that national generic marketing of domestic seafood is lacking and deserves a boost. In addition, international acceptance of U.S. product is critical to full development of our groundfish resources as well as continued export of traditional species. Drawing on the experience of industry's marketing experts, companies can penetrate successfully both domestic and international marketplaces when the economic climate is favorable to business. Under some circumstances, programs designed to complement private promotion endeavors can be very beneficial to the entire marketing exercise.

I have had the privilege of serving on the Board of the Alaska Seafood Marketing Institute (ASMI) since its inception. I recognize that with such combined efforts, as represented in ASMI, we can create positive results through appropriate promotion and education techniques. Both the members of PSPA and myself are extremely supportive and proud of the accomplishments of ASMI and certainly hope for its continued success. I submit that the achievements of that effort are due, in large part, to the fact that industry itself is responsible for the direction and initiatives generated within ASMI. Any national organization with a similar charge must too be guided by seafood industry people.

My last comment before turning to specific provisions of S. 2160 is aimed at the apparent intent to thrust the industry into this effect rather than allow a voluntary decision on their part to establish a national marketing board. I strongly believe a marketing council will function more productively if the industry as a whole determined the need and willingness for such an entity, and elected to go forward before requisite assessements are made. Without industry's prior agreement and acceptance, success is very questionable. Additionally, once the decision is made to proceed, it is imperative that industry support the organization and be directly involved in its daily operation.

SPECIFICS OF S. 2160

Sec. 5—Establishment of the Marketing Council: I believe it would be in the best interest of all to insure that nominees and subsequent Council member selections are made on the basis of the knowledge and experience of the individuals rather than on their political background.

The composition of Council membership appears adequate, and we do support the appointments of three members from Alaska, and three from the region covering

the Northwest. However, we oppose combining the Northwest and Southwest as one region and prefer to see them separated into two areas. The volumes and varieties of species can be better addressed by separate regional memberships.

A question arises regarding the provision addressing a vacancy on the Council [Sec. 5(j)]. What procedure would be used should a successor not be appointed within 90 days?

Sec. 6—Functions and Duties of the Council: Subparagraphs (5) and (6) refer to "development plans or projects." PSPA believes it would be a mistake to involve a marketing and promotion group in the business of development programs, at least as most persons interpret the meaning of fisheries development projects. The latter is best directed by private industry, the development Foundations, and in certain instances, the national federal program designed to assist in development efforts. We find it confusing and too vague to include this responsibility in the functions of the marketing council and would suggest a deletion, or a clarification of intent for marketing development plans. A similar confusion exists in the later reference of subparagraph (b)(2) to "creation of new products thereof." Again we would suggest a distinction is needed between the scientific and related product development aspects, and the promotion or consumer education efforts for new products' acceptance.

PSPA supports the provisions allowing for and specifying criteria of contract arrangements of the Council [subparagraphs (d)(1) and (2)].

Sec. 7—Duties of the Administrator: For a number of years, domestic seafood processors have been concerned over a constantly increasing trend in proposed laws and regulations to allow access to privileged company information through mandatory records access. Even though the motivations may earnestly be in good faith, the apparent encroachment into private business affairs is unacceptable to the industry, and we feel certain that the Committee shares our concern.

Subparagraph (b)(1) intends to assure confidentiality of information gathered for purposes of assessment determination and collection. However, this provision does not provide adequate assurance. If indeed the Council is composed of industry individuals, the information collected by potential competitors would be a temptation extremely difficult to ignore. Furthermore, there must be greater protection against misuse of such information and strengthened consequences for violation.

Subparagraph (b)(3)(i) and (ii) should specify a minimum number of persons to better insure nonrecognition, and statistical data should clearly be in the aggregate only.

Subparagraph (c)(1) should state, at the least, that an independent CPA firm be used by the Administrator to perform the books and records research; to compile the data under the strictest procedures of confidentiality; and to present the final necessary information in the simplist form required for an assessment-only purpose under penalty of law for violation.

Paragraph (4) allows a limited increase in the rate of assessment, but there is no provision to lower the rate. We are not clear as to what the ultimate monies collected might be, but do ask if there is some reason why the fee might not be lowered if appropriate to do so?

This same section recognizes the need for flexibility in collection procedures according to varying practices of receivers, but not a need to vary amounts of assessments depending on species involved. In order to make the assessment procedure equitable, we suggest it be structured according to the value of the product on a first-sale basis. Furthermore, this information should be obtained from existing public sources where available, such as data currently reported to state authorities.

Sec. 9—Refund of Assessment: The refund procedure is confusing. On what basis is a refund request made? It appears that a request can be made only at the end of the calendar year and received within 60 days after such transmission is received. Conceivably, a processor who wa mandated to pay an assessment even it not interested in participating could be without the use or accrued benefit of that money for approximately five months. We are concerned about the fairness of this situation.

Sec. 13—Investigations and Judicial Enforcement: This section is entirely to broad in its discretionary powers of the Administrator to investigate domestic business and/or individuals; to subpoena; and to require "relevant" data production. I reiterate the concerns expressed earlier in Section 7 and oppose this sweeping authority proposed to be granted the government.

CONCLUSION

Senators, on behalf of PSPA members and myself I want to express appreciation of your endeavors to assist the Nation's seafood industry, and we are supportive of

the concept and thrust of S. 2160. We agree on the need to generically promote fish and fish products, and I have stated which provisions of this legislation are in accord with the desires of our membership.

Our reservations primarily are based on what we perceive to be an undue portion of financial and mandatory procedural burdens falling on the processing sector of the industry. We would prefer an equitable treatment of responsibilities among all involved parties. We suggest that you consider further discussions among experienced seafood marketing personnel to find workable and acceptable methods of assessment procedures and implementation before finalizing this proposal.

Thank you for your time and efforts. We continue to offer any assistance and look forward to further cooperative work in this area.

Senator GORTON. Ms. Nordstrom, do you have a separate statement?

Ms. NORDSTROM. Thank you, Senator.

No, I do not have a separate statement. I would just like to underscore the point that was just made by both David and Bob, and that is that the concept of a generic marketing program to enhance consumption is certainly something anybody would be supportive of. It is a problem—the level of consumption is a problem for all fisheries.

However, as Bob stated in his experience with ASMI, it is critical that the industry decide that this is the kind of thing it wants to do, and that it be directly involved in the operation and the direction of that sort of institution. Those that currently exist are successful because that is exactly what happened before they began being assessed, and I think it would probably behoove the proponents of a national council to get together, as Mr. Burney suggested earlier, and discuss this a little further to see what is the best approach, how does industry want to go about it, and how would they set up an assessment program that would be equitable and one that they could live with.

That is all. Thank you.

Senator GORTON. Thank you very much, Ms. Nordstrom.

Mr. Morgan, with a 0.2-1 percent assessment, the salmon industry is going to pay a lot of money into this marketing council. You have been involved in that industry for an extended period of time. What positive effect on canned salmon marketing do you think a generic marketing program would have?

Mr. MORGAN. Well, I think that part of the problem that we have experienced with ASMI is the shortage of funds, so obviously an increased amount of money would tell the story to a broader audience.

Senator GORTON. What is the story that a generic marketing program would tell? It would speak to fish in general, would it not?

Mr. MORGAN. Yes, it would, and to the extent that salmon is a part of fish in general—what is it the President says, that the tide raises all ships.

Senator GORTON. So it would have that same effect, not just on canned salmon, but other kinds of salmon, a general effect?

Mr. MORGAN. Yes.

Senator GORTON. Is it likely to do a great deal for crab fisheries or halibut fisheries or other high value species as opposed to other lower value species of fish?

Mr. MORGAN. I think it would do an advantage to those species, maybe not as extensively as lower value species, and of course

when both halibut and crab are in a depressed situation now because of the lack of the resource, but that is a temporary condition, and there are times when that resource will return, and this would be beneficial.

Senator GORTON. Mr. Burney, from the tuna industry's perspective and experience, do you believe generic marketing of fish will be successful?

Mr. BURNEY. It may be successful for some species. I think it would help underutilized species. I think it would help developing fisheries. I believe that the benefit to an established fishery such as tuna, and that is the only one I can allude to, would be negligible.

I would like to point out one of the things that bothers us, if you look at the latest figures, the last 52 weeks we did about $2.8 billion of retail value in fishery product sold in this country. Over half of that, or $1.4 billion, was canned tuna. So a lot of the burden is going to be placed on the tuna industry to support other developing fisheries.

Senator GORTON. How much of the burden would be placed on the tuna industry?

Mr. BURNEY. It is going to be somewhere to us about $1 million to $2 million a year, and that is just too much for us to absorb at this time. We have other economic problems.

Senator GORTON. If the Federal Government is going to spend $14 million more on the fishing industry, would you prefer to see that money go to some other program, and if so, what?

Mr. BURNEY. If I had the money—I do not even think it takes money. I would love to see a real review of the problem which I think is critical to the fishing industry in this country, and that is its ability to compete both in the international marketplace—I am talking about exporting fishery products—and also to compete with cheap imports coming into this country from less developed countries. That is going to be a critical problem for U.S. fisheries in the coming years. It has reached us now, and believe me, it is critical.

Senator GORTON. Mr. Morgan, how would you compare the effect on the industry's ability to expand its markets through the approach in this bill, as against the phaseout of foreign fishing, which Senator Stevens proposed during the last session, or some other phaseout proposal?

Mr. MORGAN. Well, of course, we strongly support the ultimate phase in of the U.S. industry within the EEZ, and that would be the paramount concern of ours. So if we had to list them No. 1, No. 2, certainly phase in would be one, No. 1.

Senator GORTON. Is your association opposed to this bill as long as it is not completely voluntary?

Mr. MORGAN. I think there would be some problem with our association unless it were completely voluntary.

Senator GORTON. OK. Thank you. As you have noted, the chairman and the sponsor of the bill is here now, and I am going to ask him for his opening statement and give him the center seat.

OPENING STATEMENT BY SENATOR STEVENS

Senator STEVENS [presiding]. No; that is all right. Stay there.

I thank you. I had two other meetings which had been scheduled prior to this one, one pertaining to a matter in another committee where there had to be a quorum before they could act on a sensitive matter. I do apologize to all of you for being late, and I thank you for your statements.

I really believe in this bill, and hope that we can get some widespread understanding of the reasons that led me to introduce it. I do feel that we have a very significant national fishery. I do have a statement for the record, but it does seem to me that we ought to take some lessons from the agricultural section of our economy, and certainly the marketing council is quite similar to the approach that has been most effective in the agricultural sector.

This legislation would have a substantial benefit not only to the domestic fishing industry, but to the overall economy by virtue of its direct benefit to the American public's health. I understand that some of you have reservations and I would be happy to review them with you. But I believe there is now such massive interest in fish and fish products resulting from current medical research linking fish and fish oil consumption to the reduction of cardiovascular disease. Having a marketing council would enable us to increase the proportion of the market that is presently available to fish and fish products as far as consumers are concerned, and I also think it will add to the stability of the industry.

As Senator Gorton has just indicated from his questions, we do have other programs that I think will be more important. Certainly the phaseout of foreign fishing fleets would be my first priority, but there are 40 marketing entities now in this country promoting agricultural products. Those programs have been eminently successful, and it can be demonstrated how successful they have been making agricultural products our No. 1 export. There is no question that we have a market out there to develop for fishery products.

If we are to move out the foreign fishing fleets and bring our fisheries products ashore, we should first be concentrating on our own markets, and then concentrating on exports. We currently have a diet in this country of about 140 pounds of red meat per year as compared to 13.5 pounds of fish per year per person. There is no question that, as I said, the climate is there for expansion of the percentage of that market that fish products occupy. This approach has proven to be beneficial as far as agriculture is concerned.

As a matter of fact, I have not had a chance to discuss this with Senator Gorton and others who are involved in representing areas similar to ours, but I have requested two studies related to the fishing industry. The first, I have asked the Congressional Research Service, to review an analyze Department of Agriculture programs which may be applicable to our industry. Also, the Office of Technology Assessment is examining the medical research concerning health effects of fish and fish oil consumption. I submit for the record the OTA staff memo prepared for me on health effects of fish oil.[1]

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[1] The OTA staff memorandum has been retained in the committee files.

This hearing has been called on S. 2160 which is a bill to establish a National Fisheries Marketing Council. The Council created by this legislation will develop and implement a program of consumer education, research and promotion in order to expand markets for domestic fish products.

The commercial fishing industry is an important part of our national economy. It provides employment in coastal areas and in seafood processing and distribution centers. Although 20 percent of the world's fishery resources lie within the exclusive Economic Zone of the United States, our domestic commercial fishermen harvest only a small fraction of those resources. If our country is to realize full utilization and development of all its fisheries, as well coordinated marketing program must be undertaken to strengthen the competitive position of the U.S. fishing industry in the domestic and international marketplace. We must capitalize on the recognized quality of U.S. traditional fisheries, solidifying their stature in the marketplace. We can make additional contributions to our Nation's economy through the development of underutilized fishery resources.

The National Fisheries Marketing Council established by this bill will promote fish and fish products on a generic level. Through education, it will build the American consumer's confidence in the quality and nutritional value of domestic fish products. Attempts to market domestic fish products on a regional basis have been productive. However, small regional groups operating independently have been unable to secure the level of effort required to influence and direct consumer purchasing patterns. The National Fisheries Marketing Council will effectively coordinate and complement regional marketing efforts now in place.

In addition to strengthening the economic position of America's commercial fishing industry, this bill will directly benefit American public health. Current medical research has indicated that a diet low in cholesterol, and high in fish and fish oil, may be linked to reduce incidence of cardiovascular disease. Encouraging the acceptance of fish and fish products by consumers would reduce the risk of health hazards such as heart attacks and help to check the alarming increase in national health care costs. Recent media attention given to the linkbetween cholesterol and cardiovascular disease should provide an added boost to the promotion and marketing activities of the Fisheries Marketing Council.

During the first several years of its operation, the Council will be funded with fees collected from foreign fishing operations within our waters, and from tariffs charged for the importation of foreign fish products. Industry assessments will eventually pay for the continuation of the Council. The Federal Government has supported a series of market development programs for agricultural commodities. There are about 40 such marketing entities for agricultural products currently in existence. These agriculture programs have been successful for those commodities and we can learn a great deal from them. This will benefit the market development and expansion of traditional and new fisheries in the U.S. fish industry.

I want to thank everyone who has come here today to testify on this important legislation. We welcome your comments and recom-

mendations which will enhance the effectiveness of this fishing industry development initiative.

I see my good friend from Rhode Island here and I would ask if you have any statement before we go further?

Senator PELL. No particular statement. I have looked at the bill. I believe in general it is a good bill, but it may need some adjustments or changes. I look forward to supporting it with perhaps some modifications.

Senator STEVENS. Mr. Burney, I started my legal career representing the tuna boat industry. I do not know if you know that.

I understand what you are saying about the prospect of being able to opt out if your own marketing approach was more successful. But at the present time are all tuna people required to participate in the overall product marketing for tuna?

Mr. BURNEY. You mean within the industry?

Senator STEVENS. Yes.

Mr. BURNEY. No; it is done on a company-by-company basis.

Senator STEVENS. It is a voluntary aspect of support of the overall industry?

Mr. BURNEY. That is correct.

Senator STEVENS. I thought you had an assessment on tuna now for advertising.

Mr. BURNEY. No; we do not. No; it is strictly on a voluntary basis.

We have just found that, at least for tuna, that the most difficult thing is brand name recognition, and therefore the companies have decided on their own that their moneys are better expended if they channeled them into promoting their own brand.

Senator STEVENS. And I am sorry again for not being here, but I understood your position to be that you would be willing to participate in such a program to begin with, to see if it worked, if you had the right to opt out in the future?

Mr. BURNEY. The problem that we have, we support the concept of this bill, we think it has merit and it has merit for developing fisheries, it has merit for some traditional fisheries.

As I pointed out before you got here, we are just in a very unique situation with canned tuna. Sales are increasing. They have gone up appreciably but we are losing a lot of that to foreign competition, and we are trying to channel every dime that we have right now into developing new cost-reduction technology. We are in a real battle right now with imports.

But when we get to the other side of the ledger, where we are promoting products—and we are already spending $30 million—we have to make a decision. Our decision is, every extra dollar that we have we are putting into research and development.

We would support this concept. We would work with it. We just believe that the assessment aspect of it should be on a voluntary basis, that is all.

Senator STEVENS. I also missed this conversation about generic marketing. Mr. Morgan, do you think generic marketing could be made effective if it were handled under a council of this type?

Mr. MORGAN. I think a council of this type could be very beneficial, yes, sir. I think it would be more beneficial to the underutilized species than it would be to the high-value species.

Senator STEVENS. Do you have any questions?

Senator GORTON. No; I do not.

Senator PELL. No questions.

Senator STEVENS. Well, again I apologize to all of you. I thank you for coming.

Senator GORTON. Thank you all for being here. We appreciate your help.

Panel 2 will consist of Ms. Lucy Sloan, Mr. Samuel Davidson, and Mr. Al Guimond.

Senator STEVENS. I understand my good friend from Rhode Island wants to introduce a member of this panel.

Senator PELL. I have the privilege of introducing Al Guimond, with whom I have worked over many years in trying to benefit our Rhode Island fishing industry. He always makes sense and has good ideas.

I see another old friend, Ms. Sloan, here also.

Welcome, Mr. Guimond. I hope to see you soon here or, better yet, in Rhode Island.

Senator STEVENS. Thank you very much.

We have on this panel: Ms. Lucy Sloan, who is executive director of the National Federation of Fishermen; Samuel Davidson from Davidson Associates in Portland, Maine. If it is agreeable with everyone, we will let the lady go first.

STATEMENTS OF LUCY SLOAN, EXECUTIVE DIRECTOR, NATIONAL FEDERATION OF FISHERMEN; SAMUEL DAVIDSON, DAVIDSON ASSOCIATES; AND AL GUIMOND, PRESIDENT, STONINGTON SEAFOOD PRODUCTS

Ms. SLOAN. Thank you, sir.

We do not support this legislation. I think the difference between that statement and what I heard my colleagues who preceded me say is that certainly I think the statement that no one will argue with the need for marketing is true, but we do not support a Federal generic marketing program.

We have seen marketing programs work. Examples are the Oregon Trawl Commission and other State and regional programs. The foundations are beginning to expand out of regional markets and some of them are marketing all over the country in terms of the product they have and the markets at which they are looking.

I am interested in the possibility, the discussion that this assessment program might be voluntary. Were it, and given our concerns about the unsuccessful guarantees or even high probability that generic marketing would sell the products which our fishermen catch, we wonder why this is not a program that would be better done in fact by the industry itself, either in State or regional fora.

We are concerned about the economics of a new bureaucracy. We think that were there to be any Federal money available, that we would like to see it go to the regional foundations, because the foundations have begun, most of them, to look at marketing products. And in that way we would be getting the benefit of the regional expertise in marketing the product, and in some cases the products are being marketed in national markets and in international markets.

Several of the Senators from New England have submitted a letter for the record,[1] and we are pleased with the way they have outlined what New England is doing. The concerns they express on behalf of my members in New England are also reflected by my members on the west coast.

As I say, we have associations or foundations, in some cases State programs, and that these are specifically not generic. They are regional and emphasize certain products at certain times of the year.

There is a very real concern from both my east coast and west coast members, which the Senators highlight in their letter to the committee, having to do with the question of subsidizing competition. There is a difference between a 0.2-percent assessment on fish that is 5 cents a pound and the amount of the assessment that the fisherman would wind up paying on fish that goes from say 25 cents to 75 cents a pound.

And there is a very clear understanding on my people's part that they are the ones who would be paying for it and that, not only would they pay for it—it would be reflected in the price they would be given—but as well, they would not even be allowed to apply for reimbursement.

Given these constraints and given the constraints that we see in the concern for lack of demonstrated success of generic marketing, even "eat whitefish" or "eat shellfish," I am going to have a very interesting situation between my Maine lobstermen and my Seattle fishermen who are catching king crab and tanner crab. And I think it is these kinds of things that reinforce the concern for not a Federal program, but regional programs, and programs that should be done by the industry.

What we need from the Federal Government is the continued and increased support for the policy of fish and chips, for aggressive exports. We need this commitment to policy. The National Federation of Fishermen has been in the forefront of trying to reinforce the fact that we are food producers.

But I do not hear from any of my fishermen, as regards the price for Federal dollars, that they would be willing to be paid not to untie from the dock and go fishing. And there is a growing concern that Federal involvement, and particularly generic Federal involvement, would be the least productive way to spend the very, very slim Federal dollars that we have.

So it is for that reason, but although we continue to be interested in expanding seafood markets, we think it is more productive to do it through existing mechanisms.

Thank you.

[The statement follows:]

STATEMENT OF LUCY SLOAN, EXECUTIVE DIRECTOR, NATIONAL FEDERATION OF FISHERMEN

Good afternoon, Mr. Chairman, gentlemen. I'm Lucy Sloan, Executive Director of the National Federation of Fishermen. NFF is the only national organization of commercial fishermen. We represent a majority of the organized coastal commercial fishermen in the United States. Our members fish from the Gulf of Maine to the Gulf of Mexico and from California to Alaska. Among the species they fish are finfish, crab, salmon, albacore tuna, shrimp, swordfish, lobster, eels, and clams.

[1] See p. 118.

We do not support S. 2160. We do agree with Nos, 1, 2, 3, 6, and 7 of the Findings. As regards No. 4, we disagree that generic marketing is the way to address this question. On No. 5, we have several interpretations as to what "federal" might mean, but on balance we do not think that the proposed program will meet future "national" needs either. The Purposes are laudable, but we think this proposal is not the most effective way to achieve these.

Having said that, what follows comes under the heading of what Jake Dykstra calls debating the colour of the bathroom walls in a house we've already said we didn't want to buy. I'd like to outline our major concerns, however, in the event we're shown another house, we hope the walls will be a more useful colour.

First, we think marketing programs regionally, not nationally, generated are and would be more useful to market what are, after all, regional products. Those in the fishing industry in any region have better ideas of how much of what would be available to sell to whom when. They would also know whether it made good market sense to seek to sell these products nationally, and, if so, when, and through what mechanisms. Thus, were there to be additional federal funds for the fishing industry (something about which we have serious doubts, sadly, given the Administration's proposed worse-than-50 percent cut of the Council's budgets), we suggest that additional funds for the Regional Foundations for marketing purposes might well make more sense.

Given this, I doubt you'll be surprised that we think that the regional divisions proposed do not make a great deal of sense for most of the people whom I represent. Nor, either politically or economically, do appropriations in those amounts for a new body which would spend part of it on overhead costs. Further, the hard cold fact that the .02 per cent would come out of the hatch, and that the receiver or importer might request a refund (I can't imagine that several of them wouldn't) without being under any obligation to reimburse the fishermen underwhelms us. Hardly seems fair.

Finally, several of my members have expressed concerns about subsidizing competition, both domestic and international. An annual marketing plan directed toward "increasing the general demand for United States fish and fish products" [Sec. 6(b)(1)(A)] through generic advertising nationally does not strike many of them as a way successfully to resolve the problems we have in the marketplace. EAT WHITEFISH doesn't seem to most of my people who have thought about it as the most productive way to compete with others' whitefish, including that coming in virtually untariffed or undutied from Canada, Iceland, and Norway.

Thank you for the opportunity to express our concerns.

Senator STEVENS. Thank you.

Mr. Guimond.

Mr. GUIMOND. Thank you, Senator.

I support the bill, pure and simple, and I support it for several reasons. My testimony I would like to submit for the record as presented, but I would like to paraphrase several aspects.

First of all, I do not believe it should be a voluntary program, because I have seen very few voluntary programs where anybody participates when it costs them something, irrespective of whether one can get a rebate or not.

Second, I do not believe that the development foundations—or in our case we have a Rhode Island Seafood Council—would be adversely affected. I feel that that would be the regional way to carry out the programs and the goals that this national marketing council could provide.

Additionally, I am a businessman, plus I have vessels and I do a fair amount of export business, and I will tell you quite candidly: The market that we have to be concerned with long term is not the export business. The long term is going to be developing of the U.S. market.

I mean, when you look at, we still import 60 percent of all the seafood we consume or close to it, something is drastically wrong. And yet, we still encompass some 20-odd percent of the world's fishery resources.

I as a company person—and Lucy and I usually agree on the majority of subjects. This happens to be one that we slightly take a different approach. I do not believe it is going to come out of the hold of the fishing vessel any less than if I as a businessman decide that I want to spend x numbers of hundreds of thousands of dollars to promote a product, because, quite honestly, that is part of the doing of the cost.

I feel that if the fishermen can—and this is where we have to do something—where if the fishermen can realize that what we are talking about is a benefit, not just today, not just tomorrow, down the line, they will see it. Because what dictates the price the fishermen get paid? What it is, is the market's response. And if the market can only consume or absorb so many thousands of tons of a certain species because the market has not been expanded for lack of market development, then the vessel has got an adverse effect.

The more fish—we have seen gluts. Squid is a perfect example. It happens to be a hobby of mine, processing squid. And I will tell you quite honestly, up in my region what we need to do is really just do some marketing. We could export a hell of a lot of squid and we can make some damn good money at it. And the way we are able to do it is we take just a pure business approach to marketing a commodity.

Unfortunately, we have had in the fish business this out of the back pocket type of approach to some of the businesses, and I speak more from my end of the world. So I do not feel, one, that it is going to come out of the fisherman's hold any more than it is going to come out of the processor's pocket. We are looking at something to make consumers aware.

Now, a lot of people tend to think that this is going to be more beneficial to the Northwest and Alaska than it would be to the east coast. I think it applies, because some of the things you are trying to do in the Northwest and in Alaska on pollock and other ground fish or surimi base, we have the same types of items that we could process into that finished format.

And when someone talks generic, what is squid? What is whiting? I mean, you are talking generic in what I consider a too-technical sense of the world. You are going to have people understanding that seafood produced by the United States is a good quality product and can be.

We are able to produce quality. Anyone that tells you that we cannot produce quality product either is a fool or is not in the business or, more importantly, is probably an importer. We feel that we have the ability. We can demonstrate it.

I think the marketing board goes the first step. I would like to see, quite honestly, a nonvoluntary program. But I do believe that there has to be something worked out where, if there is a withdrawal and rebates, that there has to be a way for the fisherman to realize benefit. And I just think if we take the first step, this is it.

It reminds me, strangely enough, of a lot of the people, including some of the people who wrote to the committee opposing it and talking about the virtues of the fisheries development foundations, are some of the same people who had the same concerns over the fisheries development foundations when they came into being, this new triheaded monster of the Government. They were going to

become the addicts of the Government because we were relying on their money.

For a little money we are talking about for seed money—and it may come from S/K—if it is administered properly through the leadership of the council as proposed, which is not supposed to have a bunch of people just shaking their heads yes, but aggressively using the marketing council, then it will work. But if it does not become that and if the industry does not take a leadership role in it, you might as well not have a program.

But I do not think at this point and juncture, with so many fisheries in a real depressed condition, where you are going to have everyone being complacent. I am not going to be complacent.

And so we support it, Senator, and we hope that those that do not will take a look at the benefits versus—sure, there are some pitfalls, but there are some benefits that we still can get out of this and I think we just have got to work together.

Thank you.

[The statement follows:]

STATEMENT OF ALAN D. GUIMOND, PRESIDENT, STONINGTON SEAFOOD PRODUCTS

Mr. Chairman and Members of the Committee: I am pleased to be here today to express my support for S. 2160, a bill to establish a National Fisheries Marketing Council. The bill was introduced by Senator Stevens, and the senior senator from my home state, Senator Pell, is a co-sponsor. These friends of the American fishing industry, as they have many times before, have proposed a creative approach to fostering the development of American fisheries. The U.S. fishing industry, in my opinion, is on the threshold of a new period of tremendous growth. The National Fisheries Marketing Council proposed by the bill could help to insure that our industry makes the most of the opportunities before us.

We in the business have come to realize over the past few years that we need to change with the times. Gone are the days when we could each carve out a niche, and serve it profitably in insulation from the rest of the fishing industry and the rest of the world. We have been pushed to this realization by new competition within our industry, by competition from other countries, by the consumer's demand for a quality product, by technological advancement, by the realities of world currency situations, and by the increasing merger of our businesses into the world supply and demand for fishery products.

The question that we as businessmen in the fishing industry face is: where is our growth going to come in the years that bring this century to a close?

In my company in Rhode Island we are looking at new ways of delivering new products to new markets. Last year, we formed a joint venture with a Spanish partner to produce and market a quality squid product in the world's preeminent market for that species. This year, we plan to expand to a wider product base and will be shipping into more international markets. We are planning to move into at-sea processing to insure the quality that these and other markets demand.

But, as this bill recognizes, there is only so much that one company can do. The U.S. fishing industry is characterized by small but solid entrepreneurial businesses. Our industry derives its strength from this kind of a structure. Given that we are dealing with food resources which we cannot control the production of, and which are delicate with limited shelf lives, we need to operate in this fashion in order to be efficient. But we are then unable to develop extensive, effective marketing campaigns on a company by company basis.

Our industry is developing new products, and new ways of handling traditional products. We are finding more efficient ways of distributing products to insure quality. The need now is to convince our markets that we are producing products of value. Fish is a healthful commodity for a country that is becoming increasingly aware of nutritional needs. Fish is a good buy. Everybody here today, however, knows that already. We need to begin convincing consumers of this so that we may take best advantage of our new technologies, products and distribution systems.

A National Fisheries Marketing Council will be able to promote fish—which will have ripple effects throughout all of the industry. As proposed, it will have the strong industry leadership necessary to insure success. The Council will be limited

to promotion and marketing, which should allay fears that it will grow into a monstrous, many-headed federal bureaucracy reaching into our individual businesses. I believe that the reporting and assessment procedures are reasonable given the challenge of the task. Any federal funds that are invested in the Council will return dividends in increased tax revenues from new economic activity.

I am confident that the Council's programs will complement the fishery development programs of the National Marine Fisheries Service, the Regional Fishery Development Foundations, and the various local promotional organizations. In my area in particular, the New England Fishery Development Foundation and the Rhode Island Seafood Council have made major contributions to the growth of our industry. These are important organizations, and I hope they could be strengthened by working with the Marketing Council. They would make excellent vehicles for carrying out the Council's programs, both in our region and throughout the country.

In summary, Mr. Chairman, I support S. 2160 because it will provide a way to aggressively promote fishery products in this country, consistent with the nature of our fishing industry. The government and industry must work together to take advantage of the growth opportunities available. The National Seafood Marketing Council is a far-sighted approach for effectively focusing these necessary cooperative efforts.

Thank you very much, Mr. Chairman.

Senator STEVENS. Thank you very much.

Mr. Davidson, I am pleased you have come. I understand you have come at the request of Senator Cohen. We appreciate your courtesy in appearing.

Mr. DAVIDSON. Thank you, Mr. Chairman.

I am a fisheries consultant and certified public accountant to vessels and processors along the Maine coast. In meeting with you today I am representing the Maine Fisherman's Cooperative Association, which is a vessel-owning cooperative, a producer co-op of approximately 200 vessels.

And although we certainly believe, as do many others, that marketing is a key issue within the industry business system, unfortunately we cannot support S. 2160 as it presently stands. We do have a number of concerns, and I will outline them to you.

We do not believe that at the present time large generic marketing programs are needed in the industry. We view these as diffuse. As a matter of fact, the gentleman alluded prior and put into the record an article by Prof. Bob Buzzell of the Harvard Business School. The point of that article was in fact that what the industry needed was individualized marketing programs and regional-specific marketing programs, not large generic programs.

And in a more philosophical sense, we are concerned about increasing the federalization of the fisheries. We do not have a lot of evidence, we believe, that Federal Government participation in the industry has helped and we question now whether more may in fact be better.

We believe that the fisheries business system is at a point where individual firms and regions must become more sophisticated in their marketing approach. We are concerned that these large national marketing efforts as created by our Government may be viewed as substitute for their own marketing efforts. Therefore, it might cause a relaxation at the individual firm level.

This is not what is needed now. We needed increasing sophistication at the firm level, we need product development at the firm level. Long-run prosperity, I believe, is highly dependent upon these issues.

We are concerned in part that some of the reaction to this bill, S. 2160 here, may be a reaction to recent issues in Canada, where it looks as though there is going to be a large dose of money put into their system up there to create market incursions down in our affluent market down here in the United States.

I want to create a little caution here. In looking at Canada, I really think that their system is not well organized. They certainly have a reputation for poor product quality and, although they have proliferated their product down here to some extent, we still feel that we can market some pretty darn good product out of New England and compete with them.

Therefore, we do not want an overreaction at the Federal level. We do not want people saying that, if they are going to spend $23 million or whatever it is, we have got to spend our $23 million.

And last, we do not want to put in place a large cumbersome marketing effort which might be slow to react to market needs and changes.

From the boat perspective, we firmly believe that this assessment or tax, whatever it is you want to call it, really is going to end up coming out of the boat. And in making a quick calculation based on the average stock or revenue of a Maine vessel, for instance, it may well cost a boat $1,000 per year to be a member in this program.

And it looks as though the entire fisheries business system may benefit or possibly could benefit, and we are asking the question, why does the tax have to come out of the harvest end? We believe that if there are marketing gains from generic programs, it certainly would take a long time for it to work back to the boat level.

We also want to say that the explicit cost is two-tenths of a percent; certainly, we believe that the total costs are going to be considerably higher. There is going to be increasing Federal bureaucracy, there are going to be needs for increasing accounting systems and controls at the receiver level. We are concerned about additional licensing, we are concerned about compliance.

And certainly, if the program is voluntary, what is the rationale for a boat paying in? Certainly, if it is voluntary, why not let some of the boats pay in and not pay in and ride the crest of the wave? Therefore, the assessment might be viewed as regressive.

I would like to just summarize quickly. Although we are encouraged by your attention to our industry and we certainly appreciate it, we do not believe that the legislation will meet the benefits that is proposed in the bill.

Thank you.

[The statement follows:]

STATEMENT OF SAM DAVIDSON, DAVIDSON ASSOCIATES

Mr. Chairman, and members of the committee, I am a fisheries consultant and certified public accountant whose client base consists largely of fishing vessels an processors operating along the Maine coast. In meeting with you today I am representing the Maine Fisherman's Cooperative Association. This association consists of approximately 200 vessel owners throughout Maine, and includes members representing all types of fisheries, and all sizes of vessels.

We do not support S 2160 as being beneficial to our national fisheries business system, and are seriously concerned that such legislation may be counter-productive

to the progress that the New England region is making in upgrading marketing efforts and product quality.

In indicating we do not support S 2160, we raise the following concerns:

(1) We believe that the bill results in an increasing federalization of our domestic fisheries. There appears to be no historical evidence that increased Federal Government participation in fisheries has resulted in mass economic or social gains to fisheries constitutents, or consumers of fish products, or the public at large. In fact, since 1976 per capita consumption has remained about the same, prices of fisheries products at consumption points have had real decreases, at least since 1979, and ex-vessel prices have had real decreases. Accordingly, the fisheries business system remains as economically precarious as was prior to 1976 and possibly may be in worse position.

It would seem then, that the philosophy of "more-is-better" is highly questionable.

Within the overall spector of a static business system, some gains have been made at the individual firm and regional levels. We believe that this should be the focus of marketing and developmental effort, not more massive generic Federal programs.

We are concerned that large, generic marketing programs will be too diffuse, and consequently unhelpful. Certainly, large generic marketing programs are classically improper in the industry's currently mature life cycle position.

Marketing should be more clearly focused; product-market specific or brand specific. The market for fisheries products is highly competitive; international competition, regional competition, and individual firm competition. It would seem difficult to understand who would benefit by broad-stroke, generic marketing efforts, when there is need for increased market segmentation and a focused marketing approach.

(3) It is clear that there is a need for a better, more sophisticated marketing effort to be made at the individual firm level. Chief executive officers and their marketing vice-presidents needs to learn more about their market opportunities, learn more about their customers, need to be more efficient and better competitors, and learn more about product development. We are concerned that a large Federal Government marketing effort may be viewed as a substitute for their individual efforts, and therefore cause a relaxation in individual firm marketing just when it is needed most. Increasing dependence on Federal marketing could be counter-productive in the longer run. Firms and product-similar regions must develop their own marketing for long run economic prosperity.

(4) In assessing the true need for S 2160, it may be helpful to look briefly at Canada. For decades, the Canadian fisheries business system has been massively subsidized by its Government. Yet, their system is in disarray, and will take years to improve, certainly at great expense. In part, S 2160 may be our reaction to their prospective campaign to reorganize and become a much improved competitor within our national markets. Although there appears to be a strong Canadian national will to improve, and massive government expenditures for market proliferation, this should not cause paranoia within out business system, nor should we react by creating a massive national effort of our own. Should we do so, all we may accomplish is to create a large, cumbersome marketing effort which is slow to react to needs and changes, and probably would not be effectively in-place until well after the Canadians have improved. A case of too much, too late.

If the Canadians are in disarray, market opportunities must be available now with individual firms and regions moving quickly and effectively to seize these opportunities. If these moves are accomplished by rapid movement in the near future, the Canadians will be faced with competitive barriers put well in-place by individual firms.

(5) The members of the New England fisheries business system are gravely concerned that this act will be harmful to the region. Specifically we believe that we will lose more than we gain, by providing large amounts of funds which will be used by other regions for their marketing efforts, much of which will be directed back at the northeast where dense, urban-affluent markets exist for fisheries products. We built these markets, piece-by-piece, and year-by-year. It seems wholly irrational for the northeast region to fund competitors who will eventually vie for our proven and developed markets. It is challenging and proper for the northeast to compete against Alaska and the northwest for national and international markets. It seems grossly unfair for our Federal Government to arbitrarily mandate that we must subsidize competition against ourselves.

(6) We are concerned that the act provides for funding mechanisms which are expensive, unfair, and impractical.

There is no question that the burden of this assessment, really a tax, will fall directly onto the harvester. In New England, the average cost per boat may well be on

the order of $1,000. Much of our fleet, already in difficult fiancial circumstances will find this difficult to fund.

Further, it is difficult to understand why the harvester must pay a tax which may benefit the entire business system. Clearly, retailers, food service firms, wholesalers, brokers, and processors will all benefit. Why are they not assessed? Marketing programs, if effective, will first benefit those in the business system closest to points of final consumption. How much will trickle/down to the harvester? How long will it take, if ever? If the entire business system benefits, then everyone should be assessed.

At the very least, what happens under the proposed mechanisms, is that the harvester must invest tax dollars long before proposed marketing gains are realized, if at all. I can tell you candidly that the harvest sector cannot afford to undertake such a long term investment. Although long term investment proposals may be desirable for the industry, you have the economically weakest sector investing in a long term, diffuse, uncertain project.

(7) Although the explicit tax is stated at 2/10 of a percent the implicit costs of such a program may be considerably higher. Another Federal bureaucracy will be created with their costs, receivers of product must create accounting systems and controls to pay-in the assessments. And what about compliance? Certainly additional Federal licensing will have to occur to ensure all receivers of products are paying their assessment.

In summary, the financial burdens of such a program are considerable and will fall most certainly on the harvest sector.

(8) We are concerned also that this act draws Saltonstall-Kennedy funds away from regional and firm-specific efforts and places them at the national level. There are many positive local programs, which may be severely compromised when S-K funds are reallocated elsewhere. Instead of funds going from the regional level to the national level, we should be creating social and economic mechanisms which decentralize funding, spinning funds out to areas which can be more focused and product-market specific. In addition, larger spending aggregates appear more unclear, have propensity for waste, questionable management, and lack a specific constituency to which they must be responsible and answerable. Allocating funds out on a decentralized basis tends to diminish these risks, whereas centralized funding tends to exacerbate them.

Members of the committee, we have examined the proposed act closely. Although we are encouraged that our Federal Government understands our situation and the needs of industry, we are extremely concerned that S 2160 will not provide its intended benefits, that it will be harmful to the northeast region, and that the act emphasizes macroeconomic approaches where focused, microeconomic mechanisms are clearly needed. We believe this act would push fisheries further into the arena of politics and away from the arena of economics. Accordingly, we do not support the "National Fisheries Marketing Council Act of 1983."

Thank you.

Senator STEVENS. Mr. Davidson, have you ever studied the agricultural marketing boards?

Mr. DAVIDSON. Excuse me.

Senator STEVENS. Have you ever studied agricultural marketing boards? Do you know what they do, the agricultural marketing boards?

Mr. DAVIDSON. I have not studied them specifically, no.

Senator STEVENS. I would urge you to do that, because they are not a bureaucracy. They are people from the industry that are nominated by the industry, and they really have made policy for the industry as far as advertising and marketing is concerned.

As a matter of fact, if you go back—and I was around here at the time of the Saltonstall-Kennedy amendments. If you go back that far, at the time one of the things Saltonstall-Kennedy dreamed of was the concept of Government assistance in helping the industry form marketing boards.

We just never got that far, because Saltonstall-Kennedy got so mired down in just what you are talking about in terms of money being infused into the various levels of the industry. No one ever

got up to the idea of developing markets. The whole concept of Saltonstall-Kennedy was to improve the harvesting, processing, packaging, and marketing concepts. We never got around to marketing.

It is an interesting thing. You are from the area of the country where the whole concept started. But I would urge you to take a look at the marketing boards.

Certainly this bill does not envision any bureaucracy being born. It envisions people who are knowledgeable in the industry coming together to help guide a nationwide effort to put the fishery products back into proper perspective as far as domestic markets are concerned in the near term and exports in the far term.

But again—Lucy, certainly you know something about marketing boards.

Ms. SLOAN. Yes, sir, I do, and we are interested. I represent one of the more successful ones marketing fish in the country, the Oregon Trawl Commission. But our members support those on regional or State levels. We have been interested in making sure that our people understood that those options were available.

But again we come down, whether it is the regional foundations—and I suggest the foundations in the context of Federal dollars, Mr. Chairman, not in terms of the overall approach. There may be other ways of doing it. There is the Rhode Island Seafood Council, there is the Oregon Trawl Commission. Maine has recently begun a program of its own, in addition to the foundation program.

We are very supportive of that idea, but we want them to be optional. And the strong reading I get from both the east coast and the west coast, as I say, the problems which the New England delegation Senators outlined, it is reflected in the problems I have heard anticipated from my west coast people as well.

We agree with you that the marketing boards are an interesting possibility, but we would like to see them explored either a State by State or regionally, not federally.

Senator STEVENS. Well, somehow there is the implication seeping through that somehow or other Alaska needs this. We have not needed this. We have our own marketing group and we have been put on the television waves and the radio waves and national advertising to promote our products, and we will continue that.

Ms. SLOAN. And you are doing it successfully.

Senator STEVENS. Very successfully.

The question is whether in the fishing industry as a whole ought not have the national effort that is involved in the national agricultural marketing board concept. It is a proven product.

Go back and look at the time agricultural products were marketed in this country before there was a national board. It was all regional, it was all local. Exports of agricultural products at that time were nil, none. And look at the situation today.

I think it is incumbent upon us who believe that the foreign fishermen ought to be backed out of our 200-mile limit—and I believe you are one of those, are you not?

Ms. SLOAN. Indeed I am.

Senator STEVENS. What are you going to do with the markets? Are you going to try to back them out of our 200-mile limit and then turn around and say, let us sell to your markets?

We cannot expect to continue to sell to the Japanese if we back the Japanese out of our 200-mile limit. You know, they are not stupid. We are going to have to build up our own markets domestically.

Ms. SLOAN. Which is one reason we do not support a legislative phaseout. We want to do it as quickly as possible, and in some fisheries it will be quicker than others.

The reason we do not look at the national is because there is a difference between marketing oranges, which are oranges, and marketing Dover sole and pollock, either east coast or west coast pollock.

Senator STEVENS. The difference is whether you are marketing fish or not, and I wish Maggie were here to hear that. You know, I remember hearing something like that when we fought the 200-mile limit bill. It is an interesting thing that as I go around the country now I cannot find any of those people who opposed the 200-mile limit. You know, I cannot find anyone who came in here meeting after meeting and told us how dire this was going to be, particularly from New England, with due respect to both of you.

But as a matter of fact, it has helped your area as much as it has helped everyone else. But we are talking about fish; we are not talking about Dover anything, or Alaska king crab. We are talking about fish.

You do not hear people talk about whether you are going to market Arizona beef or Florida beef or California beef or Nebraska beef. You hear talk about beef, and that is the national marketing board for beef that has done that.

Ms. SLOAN. But they chose to do it, sir. And we are saying that our members at this time do not choose to support a national board.

Senator STEVENS. I am going to have to get out the record for you and let you see that the beef producers of this country did just what you are doing, said, keep the Federal Government out of our business. And today the thing that you cannot touch is the agricultural marketing board. You touch part of that $100 million and you get your hand burned.

They rely so much on the marketing boards that you just cannot believe it, and they opposed them in the beginning.

My friend, do you have any questions?

Senator PELL. Yes. Thank you.

A few years ago I wrote a book called "The Challenge of the Seven Seas," and one of the main themes of that was that the marketing for fisheries products was not properly developed. I was thinking primarily of our own country.

I was thinking that sea plants—I hate that negative word seaweed—sea plants have not even been touched in their use at all. Some progress has been made since. I recall Professor Merriman at Yale in the late 1940's conducted studies on the use of so-called junk fish and on that we have made some progress. But we still have a great deal further to go.

One of the things that is in our favor in increasing fish consumption, I think, is intelligence and commonsense. I know I, along with many other Americans, have stopped eating beef and a variety of such products and I feel much better for it. And I would think that

one of the approaches of this bill would be educating people that they are healthier eating fish than they are eating meat, and milk and cheese and all of the other things.

I am always struck by the fact that our military academies feed our young officers, future officers, all this fatty meat, milk and butter, and they develop very strongly, and they retire when they are 55 and then die soon after. It is almost as if the Government wants to reduce the pensions that it pays these people. I think that there is a great deal more that can be done to improve our diets.

I can see from the testimony that there would have to be some adjustments in this bill. But I do think that the point the chairman makes is very valid; that we are always beefing about the bonuses that are given to the agricultural industry. It should also be given to the aquacultural industry, and that is what this bill is intended to do. Maybe we should provide more voluntarism in the program. But I hope very much that this approach would meet with the approval of our fisheries constituency. At least as one New England Senator I think it has a good deal of merit.

Senator STEVENS. I was not laughing at you. I was laughing with you. It is true, you know, we do have national systems that are hard to change, and one of them is the emphasis on diet, and it is really very true.

Mr. Guimond, we do have the problem of identifying markets for products. Do you have that problem as far as your participation in the New England area production?

Mr. GUIMOND. We do from a different perspective, Senator, and I think it is why I support the bill. I can at this current time export a fair amount of product into the international market, primarily squid and butterfish. And it is strange that a letter opposing the bill makes reference to things like squid, butterfish, monktail and such.

Well, first of all, butterfish will never be consumed in the United States by other than a very small segment of the community which is oriented by birth and by tradition. It is something that is fixed in their heritage and culture, and I do not expect anyone in South Boston or North Providence or some place like that to be utilizing butterfish. So there is an item that will always be an export item in my way of thinking.

But on squid, we predominantly export to Spain and to other European countries, and we do well at it; but we are subject to so many variables—political, currency exchange and everything else. And I took a look and I said OK, how can I increase my business; how can I make more money, because I am in it for money. Do not let anybody kid you about it. And there is no one in this room that is in the business, that has got money at stake who is in it for anything else. It is great to philosophize when it is not your own money. Though when we are talking about assessments, I will pay the darn thing if there is a feeling that the boats are going to pay a burden; I will pay it because the boats are still going to pay it equally as I will and get the same benefit.

But the key is that we took a look and said how do we identify the squid market in the United States? I spent 14 days on the road in California, which has had a very successful, in our opinion, squid fishery. And do you want to know what we found out? We

found out it was an export item, and yet we had always been led to believe it was an import item. Why? Because there was loss of identity of the product as it was processed.

So then we said look, we can put our high quality squid—excuse me, calamari. There is a problem right there: people's association with fish. If it is not pretty, they do not want to eat it; and squid is that squirmy thing that Captain Nemo had to kill to save the ship, and that is a real burden to overcome, believe me.

We said what do we need to do? We consulted a marketing company very casually because I did not want to spend money, because people know me as being thrifty at the same time. And, Senator, I would have to spend all of my profit—and we do some $15 million a year of business, and it is not that big, and it is growing—but I would have to spend all of my profit for the next 5 years to adequately identify, promote and market squid. And yet the end results to me as a company do not even come close to what it is going to cost me to do it.

So there is no way anyone that says, with all deference to Sam, there is no way small entrepreneurs, which is most the fishing business, especially on the east coast—and I know in Alaska it is not that big a difference—they are not going to have the ability to spend those kinds of massive amounts of money to do it.

I wanted to take out ads to tell people that they ought to just talk about buying U.S.-produced products, just U.S.-produced—not squid, not pollock, just U.S. products. The cheapest newspaper that I could find to run one page services less than 20,000 people in North Dakota. I mean it is not there, and for anybody to say that it is going to be different all of a sudden because of this approach—What has happened since 1977? The industry has not done—with those who proposed that this marketing board is no good—the industry has not grabbed itself up and done all these great things that we ought to do in lieu of a marketing board. So I do not think there is any argument. And the biggest thing is to identify those markets of the imports, what is it they are getting, where is it they are getting it from, what is the form, what are they paying, and what are the alternatives to supplant that market.

If you only did that and did nothing else, that would probably take us from 1984 to 1990 very quickly. And we talk about phaseout. Sure, we phase them out. What are we going to do with the fish? We are going to eat it. Fine. I do not mind eating it. Who is going to eat it? That is what we need to do.

And right now with the phaseout, whether you make it mandatory or voluntary or whatever, it is just not going to work without some corresponding market development. And I do not see anyone coming up with an alternative at this point in time. We have got such tremendous potential, and we are going to blow it. We really are. We will make money. Do not misunderstand it. We will get by. Some will go out of business, and others will stay in business. That is the way it is. But if you are really talking about utilization and you are really talking about potential, this is it. And if they want to switch it over from the boats to the processors, that is only a numbers game, and nobody is really switching the cost. It is going to be shared.

We did it last year. Our boats paid more than two-tenths of a percent, in reality, to sell a product, and that is what marketing is. They spent a lot more, and it worked. So I think that is why I support it, and I think it is a good point, Senator, that those who oppose it because of that triheaded monster that we always refer to as the Federal bureaucracy ought to take a look at the agricultural community and their boards and see what kind of things they do. God, I would love to have just what they do in 1 month, because I can see that for the New England States to increase our economic benefit so tremendously.

Rhode Island, I always like to make use of Rhode Island because it is such a small State in geographical size, and yet we produce a tremendous amount of seafood. And yet Rhode Island is known around the country as the jewelry capital of the world, and it is, properly so. Yet for every dollar's worth of jewelry goods that we produce, the State only sees a dollar and a quarter of economic benefit; but for every dollar's worth of fish that we land and process, the State sees $4.30 of economic benefit, and we are getting people to take notice. That is why the Rhode Island Seafood Council has been successful. And if you are talking about cutting that out, I would fight you on that issue.

The New England Fisheries Foundation, the Mid-Atlantic Foundation, the Southern, the Northwest—every foundation I see as the vehicle to carry on the national objectives of increasing food consumption, and fish is what we are talking about.

Senator STEVENS. Mr. Davidson, in order to be fair, I would like to give you a chance to comment; but let me ask you this one last question.

Let us just suppose you are right and that the whole effort is doomed to failure because the industry really will not accept it. How are you going to find that out unless we try? How are you really going to find out unless we go to a system, and this is a system of Federal seed money, to see if it works? If it works, it is passed over to the private sector to support. But is there any other way to get a test other than the way that we suggested?

Mr. DAVIDSON. I do not think there is any other way to get a test of what you are proposing.

Senator STEVENS. I mean of a national system. Any other way to get a test of a national system other than what we are talking about?

Mr. DAVIDSON. Well, look at agribusiness. You mentioned agribusiness, the agricultural boards. How would you describe the general economic condition of agribusiness within the United States today? If you had $1 million would you invest it in a farm, or would you invest it in a chip production factory for minicomputers?

My impression is that the economic returns to farmers these days are not all that high.

Senator STEVENS. Do not kid yourself. I would not want Senator Pell's remarks to get repeated to my wife. Her family is in the beef business. And do not kid yourself. As I said, the largest portion of our exports is agriculture. The most stable portion of our economy is still agriculture.

Mr. DAVIDSON. And let us look at Canada. As I pointed out, Canada has had massive government help, and God, they are just

in disarray. Poor product quality, marketing efforts. They have subsidized processors. They have subsidized marketing. They have subsidized vessels. They have subsidized the infrastructure. They have subsidized everything.

Senator STEVENS. We are not suggesting that. I agree with you about Canada, by the way, and I think Mr. Guimond would, too. Certainly I know my Alaska fishermen would. We are not in the same--we do not have the same approach to government domination. They tell you when you can put your boat up and when you can take it down. If they do not want it there, they will buy it from you at the price they set.

Now, we do not do that. We do have an entirely different approach to industry. But by the same token, to condemn a national marketing concept because they, too, are participating, but they are participating in a national marketing concept in our market. Their advertising efforts are in our market, not in theirs, in our market. Is there not a message there for us? If it is worth the Canadian Government's expenditure to market fish products in our market on a generic buy Canadian fish, why is it not a benefit of our industry to market our fish in the American market, buy American fish?

Mr. DAVIDSON. I think they are going to make a mistake in the report. I do not know if they should. I cannot agree with the fact that they are going to undergo a tremendous generic marketing program. The point was well brought out that we might as well do nothing. Let us let them do it. Let us ride their generic wave. Why the hell should we pay for something? Hey, let us wait for them. Go ahead, baby. The water is fine. Go for it.

Senator STEVENS. Promote Canadian products?

Mr. DAVIDSON. Well, they are going to do a generic advertisement for cod, let us say. We have got plenty of cod.

Senator STEVENS. For Canadian processed cod.

Mr. DAVIDSON. You did not say that. You said generic.

Senator STEVENS. I think the whole approach is going to be national, to get our market.

Mr. DAVIDSON. This is a marketplace for the world. The United States is the most affluent marketplace in the world. Everybody is going to market everything here.

Senator STEVENS. And we normally are last in our own market. That is the trouble. Here we are today. Sixty percent of our fish is imported, and a great deal of it is caught in our own 200-mile limit.

Ms. Sloan.

Ms. SLOAN. The only difficulty with that—I agree with what Sam is saying, because it has been my experience that very few consumers pay any attention, bother to read the fine print on the box as to whether it is Canadian or U.S.-caught fish. It is a recurring problem that we have with seafood products in any of the markets in which either my west coast wives group, representing ports from California to Alaska, have done marketing programs, point of sale marketing programs in supermarkets, and very rarely in their experience has the consumer bothered to distinguish between a U.S.-caught product and an imported product. And that is one of the reasons that this question of generic marketing troubles us.

We do not think that there are understanding enough. There is not enough sophistication. That is why we emphasize regional education rather than national.

Senator STEVENS. You really do not believe that, do you? When you go down the corridors of the supermarket and you pick up a can of sardines, do you not look where it is made? Do you not look to see whether it is oil and water?

Ms. SLOAN. But I work for the fishing industry. When the Pacific Coast Coalition of Fishermen's Wives was doing that kind of thing and questioning people in the supermarkets, very few, if any, of the customers whom they questioned looked at the source of the product, canned or allegedly fresh.

Senator STEVENS. You get the last word, Mr. Guimond.

Mr. GUIMOND. Why do they not look where the damn product is made? Because nobody is telling them they ought to be looking. Why? Because there is an impression that the United States fishing industry is not an industry unto itself. That is part of the problem. And anybody that thinks that the Canadians are going to spend $20 some million to be generically cod fish and so forth, really, I have some business opportunities I would like to discuss with them.

We are talking education. Just think, if only one thing was accomplished, Senator, by the marketing board through a variety of ways, that everyone who produced a product in the United States would identify their damned product, that they produced it, and they did produce it in the United States.

We do not do that. Why? Everybody thinks we produce garbage. Most people in the U.S. industry have in the past produced less than good quality to what they could do. They are finding out that producing that little extra effort for quality pays off a hell of a lot longer. And again, I think the people that oppose the bill have to take a look at what it is, and more importantly, what is the alternative without it.

The alternative without it is 2, 3 and 4 years from now we will be still complaining about the same situation. The foreigners are still here because we cannot utilize it. The market is still dominated by the foreigners because we have not penetrated it. And we are doing it over and over again.

I mean we have got a product right now that in a particular foreign country is viewed as an attractive item. I like U.S.-produced goods. It has never happened before. So Christ, if we can do it overseas—as Sam says, we have the most affluent and most educated market system in the world in the people here, 250 million people. My god, if we cannot increase consumption by a couple of points one way or the other through this, then we have failed.

But I do not see us trying anything else, and that is why I like the approach. We have got to try something. There is no alternative. I am not here—no one else is saying here is an alternative to try. I do not like it because I am afraid it is going to be paid for like this, or I do not like it because I am afraid it is not going to handle the situation.

Fine. Let us do something positive for once about the industry. So we support it, Senator, and I hope people will really look at it and see what the cost is.

Senator STEVENS. Thank you very much. We appreciate all of you taking the time to be with us. Thank you, Mr. Davidson, Ms. Sloan, Mr. Guimond.

Our next panel is Kerry Muse, executive director of the Mid-Atlantic Fisheries Development Foundation; Mr. Greg Baker, Office of Commercial Fisheries Development from Anchorage.

Mr. Muse, we are happy to have you here, sir.

STATEMENTS OF KERRY MUSE, EXECUTIVE DIRECTOR, MID-ATLANTIC FISHERIES DEVELOPMENT FOUNDATION; AND GREG BAKER, DIRECTOR, OFFICE OF COMMERCIAL FISHERIES DEVELOPMENT, ALASKA

Mr. MUSE. Mr. Chairman, my remarks, my testimony will be submitted for the record. I would like to summarize some of these remarks. And first congratulate you and your staff for being concerned with this vital issue before the seafood industry today.

At the Mid-Atlantic Fisheries Development Foundation we are concerned with consumer education and marketing programs and problems in our own backyard that deserve some national attention. And I think that this proposed bill, S. 2160, has addressed some of the major issues that affect not only our region but many areas of the country.

We do agree pretty much with the purpose of the bill. We would like to stress the total utilization of our products within this country. We feel that we have never totally utilized the products we have available.

There was a comment made earlier about the vessel paying the thousand dollars per year, and I was thinking of the many days that the vessels sat idle when there is not enough market for them to go out and fish for that day, the days that whiting is only bringing 7 cents, and blues are bringing a dime, and mackeral is bringing 12 cents a pound. The U.S. fishermen today are getting the same prices that were offered 10 years ago.

Some of these fishermen really cannot even afford to go out. They are losing money because there is not a demand or there is not a market for some of these products. And we are letting the foreigners come in and harvest them.

Some of the competition that we do have within our industry, we have to look at the imported products that come into this country. And we are not really in competition as much, with the poultry industry or beef industry as much as we are within the own fishing industry ourselves, within various segments of the industry, and also from the imported products.

Again, the consumer education needs to be stressed. That is the No. 1 priority of the marketing council, if such a council is formed.

In the coastal areas I think we are very fortunate because of the knowledge we have on fishery products, but you go 50 miles inland or even to the heart of the country, and very little utilization of our fishery products is known about. You find people that do not know the nutritional value, the health aspects. They do not know how to buy fishery products. They do not know how to prepare them once they buy them. They are afraid of the spoilage. And ba-

sically what is happening, there is a general lack of education. It is not taking place.

On the voting structure of the council, we think it is very representative. We would hope that—you said—in your bill that the harvesting industry and the processing would both be representative of a region, and a third representative would be appointed. We would hope that you would look to the marketing end of the fishing industry to make that third appointment, for that person. We feel that the people that are in the business of selling products right now probably know more about seafood marketing than harvesters or processors. We are talking about a marketing council. Let us get them involved and use their ideas. S. 2160 does need some revision.

The processors are upset. They do not want to open their books. Some of the fishermen are afraid that they are paying the processors' share, and the marketers feel they will be getting bills for both shares. I think some of these differences can be worked out. I think there is too much time that is being spent on the proceedings if you do not pay your assessment.

I would suggest tying the present bill into a quality program. Let us give the industry something in return for what they are going to pay. If they are going to pay an assesment, let us give them something in return. For instance, let us tie in the grade A program. Let them become involved in a program. Let them use the seal. Let them use the logo if they are producing a quality product by a set of guidelines which would be developed by the industry and administered by the States, the respective regional/State organizations that are already now assisting in helping in administering the present inspection program.

The present inspection program is not a successful program because of utilization. Nobody knows about the grade A program. And if we want to sell to consumers, I think we need to identify that we have a quality program, quality products. Let us let the people that produce the quality program get that benefit, and let us push for quality programs.

And lastly, definitely we have to promote U.S. products, not foreign products. I do not think we can promote imported goods with this council. We definitely need to improve our own domestic industry first.

Thank you.

[The statement follows:]

STATEMENT OF KERRY R. MUSE, EXECUTIVE DIRECTOR, MID-ATLANTIC FISHERIES DEVELOPMENT FOUNDATION

Mr. Chairman, I would sincerely like to thank you for the opportunity to come before you and your committee members today to speak on behalf of the Mid-Atlantic Fisheries industry. The Mid-Atlantic Foundation is one of seven regional foundations in the United States which actively represent all major segments of the commercial fishing industry. Our Foundation has been actively involved in consumer education programs for the Mid-Atlantic states as well as participating in the overall national coordination of Catch America promotional activities.

We agree with the purpose of the bill and that we should strengthen the competitive position of the U.S. fishing industry. But who's the competition? To some slight degree it may be agriculture products, but primarily it is imported seafood products from Canada, Mexico and a host of other foreign nations with subsidized industries.

We support the total utilization of all U.S. fishery products and realize much needs to be done in the area of certain underutilized species such as mackerel, squid

and dogfish and many other high protein species that are not being utilized by the U.S. consumer.

Consumer education should be the number one priority activity of the council. Today's consumers are unaware of the opportunities of seafood. They know very little about the species, they don't know where they come from, they don't know how to cook them or prepare them or little about their nutritional value. It is a resource that has been limited to the coastal regions of the United States in the past and those inland have never had the true opportunity to avail themselves of our fresh seafood opportunities. USDA has spent billions of dollars in educating the American consumer on what we should eat, how we should eat it, how it's prepared and why it's good for us. Very few and limited fishery products have ever been included in any USDA promotion or educational activity. I personally believe there has been true discrimination against the fishing industry by the United States government when it comes to consumer education of fishery products and available knowledge.

The voting structure of the council appears at first to be very equal and geographically placed with proper representation. The only comment that we have concerns the three regional representatives from each geographical area. Your recommendation is that at least one member be a harvestor and one a processor, I would hope that the third member would also be representative of the fishing industry particularly the marketing or educational sector. Sometimes we forget the marketer who plays a very important role in this industry. Sometime we even tend to simplify matters by saying that if we could market all the fish that are out there we wouldn't have any other problems. I would not like to see these people left out of the proposed organizational structure.

Regarding the functions and duties of the council I would like to make several points. If it is with the understanding that this council eventually will be self-supporting without the assistance of government, maybe we shouldn't make our ties to government so strong that the knots will not fall out at a later time. Basically it is our understanding that the administrator has strong powers within this proposal that could enhance the program but also could hamper the program for long term development. I think this relationship needs to be considered. I would hate to see the program get tied up in red tape which is taking place now with the administration's handling of the S-K program.

Of course, you have heard from others and you will hear from more than the assessment program against industry most likely will not work as it is presently set up. We would anticipate very few if any processors who would open their books for you. The fishermen of the industry also have a very difficult time supporting this. They feel they are going to be paying the first assessment and the processor will be charging the same again to the marketer. The processor could be the one in the middle that doesn't pay anything.

We would strongly suggest a revision of the program. The first thing we would do would be to throw out the whole civil enforcement proceedings. It sounds like marshall law considering what the administration has to do taking an individual processor to court for not paying up their share of the assessment. Too much time and money would be spent collecting assessments and trying to enforce the program. I think we should be concerned again with what the purpose of the organization is and how you hope to overcome the impediments of the industry as they stand today. Simply I think you have to give the industry something in return. If you are going to ask them to pay for something, show them somethimg that they can see. You are talking about a generic marketing program. But why try to please everybody?

When I say everybody I am speaking of the ones that are causing some of the quality problems that we have in the industry today. Some of those that are already short-changing their customers, these are ones that would not pay their share of assessments. I think you will find that the leaders in the industry, today are establishment firms that produce a quality product and would be the first to step up and pay their assessments and do their share. The biggest problem is how we bring everyone else around. I don't think the enforcement issues are the answer. I think and would suggest that you allow the industry one year to develop its own standards, a set of quality standards it can live with and that will provide quality products to the consumer. Let the council issue a Grade A government logo for all the processors, marketers and fishermen who abide by these standards. The council's major role then would be to promote quality U.S. seafood products with the quality logo or seal. Those receiving the benefits from the promotional campaign would pay assessments into the council. Those who do not pay any assessments, that did not participate in the program would not be allowed to use the quality seal.

This is not mandatory inspection but I think it is a step in the direction of bringing about a quality assurance program that would not only satisfy the industry but satisfy the consumers advocates and government as well. The current Department of Commerce inspection program now being utilized by the fishing industry is largely unsuccessful. The high cost of the program could be reduced if it was used on a wider scale.

One other points we suggest that any council bill considered do not include imported products. This bill includes the assessment and promotion of imported products into the United States. I see no reason why we should promote foreign product in this country when we have problems today selling our own products that are produced here. Definitely this should be a "Buy USA" program and not to encourage utilization of competitive products from other countries. At the present time these industries in the other countries are subsidized heavily by their governments and it puts the U.S. industry at an unfair competitive advantage. Our industry would not support any bill that involves the promotion of foreign product such as this one does.

In conclusion we do not feel that Senate Bill 2160 is going to be the answer to all of our problems within the seafood industry today even with major modifications, but it is a step in the right direction. I encourage you and your staff to continue to work with the industry so that a cooperative agreement can be reached and that a National Fisheries Marketing Council can be established. Thank you.

Senator STEVENS. Greg, we are happy to have you here today.

Mr. BAKER. Thank you, Senator Stevens and Senator Murkowski. I am pleased to convey to you on behalf of Governor Sheffield and the State of Alaska our encouragement and support for S. 2160 and the creation of a National Fisheries Marketing Council.

As you well know, Senator and Senator Murkowski, the Alaska seafood industry represents for our State one of the most important components of our current and future economy. As Alaska's largest private employer, the processing and marketing of seafood products annually provides some 45,000 to 50,000 jobs, while supporting an additional 10,000 fishermen and their families.

Measured wholesale, our traditional salmon, crab, halibut and groundfish production is valued as high as $1 billion annually. We believe that the additional 3-million metric tons of domestically underutilized pollock, cod and flatfish resources available in the Gulf of Alaska and the Bering Sea will equal or exceed the value of our traditional fisheries once the full promise of the Magnuson Fisheries Management and Conservation Act is realized.

From the viewpoint of development, there is no single component of our existing and future fisheries business more important than market development and no single market more important than the market found right here in the United States.

It is this conviction that leads Alaska to support the creation of a National Fisheries Marketing Council established by S. 2160 and indeed has led to the creation of our own generic marketing organization, the Alaska Seafood Marketing Institute. With programs created and monitored by an 18-member board of directors, our marketing institute spends $3 to $7 million each fiscal year generically promoting and advertising Alaska's seafood products.

Critical to the marketing institute's success, and we believe to the future success of the proposed National Fisheries Marketing Council, is the active and meaningful participation of the industry. It has been our experience that the development of marketing strategies, plans and programs should best be left to those who best understand the marketplace, the industry itself.

As a measure of the confidence and respect earned by our marketing institute's industry guided program, our industry, fishermen and processors alike, contribute nearly half a million dollars annually in kind, over and above assessments, in the form of personnel time and out of pocket expenses. It is this level of interest and commitment that insures the success of our marketing institute.

As proposed in S. 2160, the National Fisheries Marketing Council provides for the type of meaningful industry direction required for successful program development, and it is this component which lays the foundation for Governor Sheffield's support.

It is our hope that the proposed council will, at a national level, establish the critical and currently missing link between private and public fisheries development activities in the United States and the international marketplace.

Typically, State and Federal fisheries development programs, and Alaska is clearly no exception to this, have been production oriented, assuming, as much of the industry did, that the key to success lay in preserving the fish in some reasonably cost-effective manner with product form and market decisions driven by the demands of production.

There are, of course, exceptions in both the private and public sectors. For example, the Alaska Fisheries Development Foundation, privately directed and publicly funded, designed its 1984 Surimi program around the novel, and yet we believe accurate premise, that Alaska pollock was a food, not seafood, product, that deserved to be produced with the same sophisticated attention to the marketplace as General Mills 'cereals or Chicken McNugget.

It is our belief that a National Fisheries Marketing Council will serve not only to promote fisheries products rationally, educate and inform consumers, but will serve to focus at a national level the attention of the industry on the United States and international marketplace. This, we believe, will ultimately lead to a more rapid displacement of foreign fishing and processing in our fisheries conservation zone and create a more healthy and competitive position for America's fishing industry in the world marketplace.

Again, we urge the committee's support for the bill. Thank you, Mr. Chairman.

Senator STEVENS. Thank you very much. I am pleased that my colleague from Alaska has come to this hearing. Senator Murkowski, I would inquire if you have any comments to make at this time.

STATEMENT OF HON. FRANK H. MURKOWSKI, U.S. SENATOR FROM ALASKA

Senator MURKOWSKI. Thank you very much, Senator Stevens. I appreciate the opportunity to appear briefly in support of S. 2160, which I cosponsor along with you and other Senators in favor of the National Fisheries Marketing Council Act.

I would like to just make a brief opening comment and have the balance of my statement included in the record. This legislation would set up a National Fisheries Marketing Council to help assure that the industry's full potential is reached, and I know a

great deal of consideration has been given by you and other members of the committee in behalf of this bill.

The council's recommendation and implementation programs to promote the sale of fish and fish products, to educate consumers in the use of fish and to provide research and development of other marketing techniques are indeed important.

Federal funding for the councils would be provided primarily from the current foreign fishing fees and import duties on fisheries products. I think that is also important. The moneys would be deposited into a revolving account, and I understand that after October 1986, the fishing industry would then band together to contribute a percentage of their own gross revenues toward the marketing council.

Obviously, I support this legislation for many reasons. In addition to the botulism scare, which we had 2 years ago, the decline in the shrimp and crab fisheries in Alaska have certainly had an adverse effect on our State's fishing industry. The fishermen of Alaska and our Nation need a national organization for marketing, to develop the educational process that will benefit everybody by promoting seafood.

Mr. Chairman, the U.S. today, as you know better than most, is a net importer of fish products. We allow foreign fishermen to catch, process and market our fish for us. In 1982, 67 percent of the fish taken within our 200-mile fishery zone was harvested by foreign fishermen. In this regard, a substantial portion was processed beyond our borders and then reexported back to the United States, and a significant amount is exported back into our State of Alaska.

For instance, in 1982 we exported 657-million pounds of edible products valued at nearly $1 billion, as compared to imports of 2.2 billion pounds at the record level of $3.2 billion. But the marketing council that is proposed in this legislation will provide the means for the United States to reverse this trend and harvest more of its own fish for our own use and to increase our exports of fish products. I think that is a significant part of this legislation.

Further, this bill is not protectionist type legislation. The political reaction to difficulties in American industries has often been to simply dump money in the area and hope the money will resolve the problem. This bill also does not attempt to place restrictions on competitors. Its beauty lies in the fact that it doesn't bail out an industry that is experiencing difficulties, but rather it seeks to create a new mechanism that will depend on the industry itself and its inherent qualities to alleviate its own problems. And I think by doing so, Mr. Chairman, it is going to benefit our Nation as a whole, and our State of Alaska.

Thank you for the opportunity to express my support.

Senator STEVENS. Thank you very much, Senator Murkowski. We will put your whole statement in the record.

[The statement follows:]

STATEMENT OF HON. FRANK H. MURKOWSKI, U.S. SENATOR FROM ALASKA

Mr. Chairman and members of the Committee: I am here today to express my support for S. 2160, the National Fisheries Marketing Council Act. This measure would establish a National Fisheries Marketing Board, charged with the task of coordinating a campaign of marketing programs for fish and fish products.

American fisheries are not floundering. But they are not doing as well as they could. The competitive position of the fishing industry in the United States must be improved. Commercial fishing is a substantial part of our nation's economy. Not only does the fishing industry provide important employment, it also has the potential to expand its role in foreign commerce, and thereby positively affecting our balance of trade.

This legislation would set up a National Fisheries Marketing Board to see that the industry's full potential is reached. The Board would recommend and implement programs to promote the sale of fish and fish products, to educate consumers in the use of fish and research and develop other marketing techniques.

Federal funding for the Board would be provided primarily from foreign fishing fees and import duties on fishery products. These monies would then be deposited in a revolving account. After October 1, 1986, the fishing industry would band together and contribute a percentage of their own gross revenues towards the Marketing Council.

I support this legislation for several reasons. The botulism scare of two years ago, and the decline in the shrimp and crab resources in Alaska, have injured my state's fishing industry. The fishermen of Alaska, and our nation, need a national organization for marketing development to educate everyone on the benefits of eating seafood. The Fisheries Marketing Board will give the commercial fishing industries in this country the boost they need.

The United States today is a net importer of fishery products. We allow foreign fisherman to catch, process, and market our fish for us. Sixty-seven percent of the fish taken within our 200-mile fishery zone in 1982 were harvested by foreign fisherman. Of that amount, a substantial portion was processed beyond our borders and then re-exported back to the United States. For instance, in 1982 we exported 657.2 million pounds of edible products valued at $998.9 million, as compared to imports of 2.2 billion pounds at record value of $3.2 billion. The marketing board that is proposed in this legislation will provide the means for the United States to reverse this trend and harvest more of its own fish both, for our own use and to increase exports.

This Senator also supports this legislation because it is not protectionist. The political reaction to difficulties in American industries has too often been to dump money into the afflicted area, or to restrict imports that are competing with that industry.

This bill does not attempt to place restrictions on competitors. Its beauty lies in the fact it does not "bail out" an industry that is experiencing difficulties, instead it seeks to create a mechanism that will depend on the industry itself and its inherent qualities to alleviate its own problems. By doing so, our whole Nation will be benefited.

Thank you.

Senator STEVENS. Greg, can you tell us about the initial days of the Alaska Seafood Marketing Institute? Were there similar reactions from the various areas in our State about the concept of a statewide marketing entity? How did you get them to understand the benefits of a statewide system?

Mr. BAKER. I think there were some reactions similar to the ones we have heard today in opposition to S. 2160.

I think that their virtually unanimous support and wholehearted participation in the marketing institute has resulted largely from their experience with it and their experience that it indeed has succeeded in what it was intended to do, and that is raise the awareness of our particular region, our particular State's products, raise that level of awareness in the minds of those people who are our customers, the American consumer and the American food service and institutional trade.

I think it was the experience with ASMI that changed those people's minds who may have been initially skeptical.

Senator STEVENS. How is your foundation funded, Mr. Muse?

Mr. MUSE. We receive the majority of our money through the S/K program. We also receive some private funds from other organizations.

Senator STEVENS. Is there any voluntary contribution by the industry in your area?

Mr. MUSE. Voluntary contributions to the foundation, yes.

Senator STEVENS. Well, we appreciate both of you taking the time to come support the bill and I thank you for your assistance.

Our last panel today is Kris Vehrs, Washington representative of Texas Shrimp Association; Roger Anderson, executive director, Gulf & South Atlantic Fisheries Development Foundation; and Eldon Greenberg of Galloway & Greenberg of Washington, D.C.

Ms. Vehrs.

STATEMENTS OF KRIS VEHRS, WASHINGTON REPRESENTATIVE, TEXAS SHRIMP ASSOCIATION; ROGER ANDERSON, EXECUTIVE DIRECTOR, GULF & SOUTH ATLANTIC FISHERIES DEVELOPMENT FOUNDATION; AND ELDON GREENBERG, ON BEHALF OF THE SOUTHEASTERN FISHERIES ASSOCIATION, INC.

Ms. VEHRS. Mr. Chairman and members of the committee, I am Kris Vehrs, Washington representative for the Texas Shrimp Association, the trade association for shrimp harvesters in the Gulf of Mexico. I appreciate the opportunity to testify on S. 2160 and the concept of a generic seafood marketing board.

During the 96th Congress, our association actively pursued enabling legislation for the establishment of a shrimp marketing order. We encountered significant opposition from other parts of the shrimp industry and it was quite clear that a considerable amount of work would have to be done prior to passage of a referendum. That bill did require a referendum before the creation and a referendum before assessments and would have been a regional bill.

TSA has supported and continues to support the concept of a marketing order for seafood commodities similar to those used by agricultural commodities. We are concerned, however, that under a mandatory generic program, the domestic shrimp industry would be carrying a heavy financial load due to the high value of its product. There is also concern that the domestic harvester would find his product share continuing to decline, with only the potential for minimal benefit of increase in ex-vessel prices.

We also believe that the industry must have an opportunity to vote in a referendum prior to implementation of an assessment program, and that those not wishing to participate in the program should have their moneys refunded on a timely basis.

From our viewpoint, for a marketing order to be effective, it must first have the support of the domestic industry, be tied to supply controls on imported products and be for a specific seafood commodity, unless there are provisions for spending fees collected from one commodity, for example shrimp, for the benefit of that commodity.

Turning now to the specifics of S. 2160, we believe the assessment made by the council must be fair and that those fisheries assessed must receive benefits in proportion to their collections. If a

generic marketing council were not established in that manner, we would want separate councils or divisions established for each seafood commodity.

We would recommend that 1 to 10 percent be taken from each fishery assessed and be set aside to establish a fund for the marketing of underutilized fisheries, where there would be no specific fishery assessed, and also that that fund could be used for emergency marketing programs for fisheries in trouble. We would leave the expenditure of that fund to the discretion of the council.

Another concern TSA has would be the use of moneys to develop synthetic products designed to replace already established fishery commodities. For example, we could not agree with using moneys collected from the shrimp industry to develop artificial shrimp from surimi-based products, nor with using shrimp moneys to market that substitute product. We do not believe moneys derived from the shrimp industry should be used to place a heavier burden of competition on the industry.

We are concerned about the assessment fee that the industry is required to pay 3 years prior to a referendum. We believe the vote should be taken within the industry before assessments are made, to assure that there is support for the council's establishment.

We are also concerned about the timing of the refund process and would recommend that those individuals not wishing to participate in the council have the opportunity to receive a refund on a quarterly basis.

Therefore, we support the following changes to S. 2160: Require that expenditure of fees for a seafood commodity be proportional to fees collected from that commodity; prohibit the expenditure of fees on the development and marketing of substitute products for domestically produced seafood commodities; require that the referendum be held before assessments are made; and provide for refunds on a quarterly basis.

We think passage of S. 2160, with the changes we have suggested, could benefit the U.S. fishing industry. Thank you for the opportunity to comment.

[The statement follows:]

STATEMENT OF KRISTIN L. VEHRS, WASHINGTON REPRESENTATIVE, TEXAS SHRIMP ASSOCIATION

Mr. Chairman and members of the Committee, I am Kristin Vehrs, Washington Representative for the Texas Shrimp Association, a trade association for shrimp harvesters in the Gulf of Mexico. Within our membership ranks are approximately 400 Gulf class shrimp vessels, 27 shrimp off-loading facilities and 70 service or support corporations, I appreciate the opportunity to testify on S. 2160 and the concept of a generic seafood marketing board.

Throughout its 34 year history, our association has been concerned with the marketability of shrimp. In 1951, TSA was a principal in the establishment of the Shrimp Association of the Americas (SAOTA)—a mutual effort with the Florida Shrimp Association and the Mexican shrimp industry, to develop a strong market for shrimp in the United States. In large part, based on the efforts of SAOTA and numerous other marketing initiatives, the U.S. is one of the major world markets for shrimp. In fact, the demand for the product has surpassed domestic supplies to such an extent that an estimated 70 percent of the shrimp consumed in this country in 1983 was imported product.

During the 96th Congress our association actively pursued enabling legislation for the establishment of a shrimp marketing order. We encountered significant opposi-

tion from other parts of the shrimp industry. It was clear that a considerable amount of work would have to be done prior to passage of a referendum.

In evaluating the advantages to the domestic shrimp industry of a marketing order, we felt that the domestic harvester of shrimp would gain little from an aggressive marketing order which would not control the supply of imported product. We still have that concern. Although one of the purposes of this legislation is "to strengthen the competitive position of the *United States commercial fishing industry* in the domestic and international market place," (Emphasis Added), we do not necessarily believe that result would occur for the U.S. shrimp industry. The problem in our industry will not be solved by marketing alone. A large share of the market is controlled by companies acting as agents for their governments. They have the ability both to control the market price and to divert product originally destined for foreign markets to the U.S. Both of these actions would result in devastating the domestic shrimp harvesting industry.

We do realize that importers of shrimp product will also be contributing to the marketing council. We also realize the value of a strong market but we are concerned about a market glutted with foreign product. If an aggressive marketing effort were not combined with an orderly market supply, we fear that the beneficiaries of the program would only be the seafood importers and market speculators.

Per capita consumption of all preparations of shrimp ranged from 1.01 pounds in 1961 to a record high of 1.56 pounds in 1977 and then, after some decline, rebounded to 1.52 pounds in 1982. During the same period, per capita consumption of commercial fish and shellfish rose from 10.7 pounds in 1961 to a record 13.4 pounds in 1978 and then a constant decline to 12.3 pounds in 1982. This decline occurred in spite of significant seafood marketing efforts on the part of various government agencies, regional foundations, and associations. It does appear that it takes more than just money and a marketing program to orient the domestic consumer to buy seafood. While the recession had a hand in this, to be of value the council will have to be more effective than the programs of the past.

Many consumers consider shrimp to be a luxury item. In a recent consumer attitude survey conducted by the National Marine Fisheries Service and the Food Marketing Institute, attitudes were expressed that shrimp was too expensive to serve at home and, therefore, it was a special treat when eating outside the home.

This attitude is reflected in the estimation that 70–80 percent of shrimp is sold into the institutional markets of restaurants or hotels. In consideration of this, the marketability of shrimp may be much more responsive to the discretionary income of consumers rather than the effectiveness of any past marketing efforts. This is not to say, however, that the past marketing efforts have not been beneficial in developing the demand for shrimp, but rather that numerous factors play a part in shrimp marketability.

Turning now to the specifics of S. 2160, we believe the assessment made by the council must be fair and that those fisheries assessed must receive benefits in proportion to their collections. If a generic marketing council were not established in that manner, we would want separate councils or divisions established for each seafood commodity.

We recommend that 1–10 percent be taken from each fishery assessed and be set aside to establish a fund for the marketing of underutilized fisheries (where there is no specific fishery which would be assessed) and/or for emergency marketing programs for fisheries in trouble. The expenditure of this fund would be at the discretion of the council.

Another concern TSA has is the use of monies to develop synthetic products designed to replace already established fishery commodities. For example, we would not agree with using monies collected from the shrimp industry to develop artificial shrimp from surimi based products nor with using shrimp monies to market the substitute. We do not believe monies derived from shrimp should be used to place an even heavier burden of competition on the industry.

We are concerned about the assessment fee that the industry is required to pay three years prior to a referendum. We believe a referendum vote should be taken within the industry before assessments are made to assure that there is support for the council's establishment. We are also concerned about timing of the refund process. Those individuals not wishing to participate in the council should have the opportunity to receive a refund on a quarterly basis; rather than once a year.

In summary, our association has supported and continues to support the concept of a marketing order for seafood commodities similar to those used by agricultural commodities. We are concerned, however, that under a mandatory generic program, the domestic shrimp industry would be carrying a heavy financial load due to the high value of its product. There is also concern that the domestic harvester would

find his market share continuing to decline with only the potential for a minimal benefit of increase in ex-vessel prices. We also believe that the industry must have an opportunity to vote in a referendum prior to implementation of an assessment program and that those not wishing to participate in the program should have their monies refunded on a timely basis.

From our view point, for a marketing order to be effective, it must first have the support of the domestic industry, be tied to supply controls on imported products, and be for a specific seafood commodity, unless there are provisions for spending fees collected from one commodity (e.g., shrimp) for the benefit of the commodity.

Therefore we support the following changes to S. 2160:

Require that expenditures of fees for a seafood commodity be proportional to fees collected from that commodity.

Prohibit the expenditure of fees on the development and marketing of substitute products for domestically produced seafood commodity.

Establish a means to ensure that increased demand is not met by foreign product which disrupts the market for domestic product.

Require that the referendum be held before assessments are made.

Provide for refunds on a quarterly basis.

We think passage of S. 2160 with the changes we have suggested could benefit the U.S. fishing industry. Thank you for the opportunity to comment on this legislation.

Senator STEVENS. Thank you. Mr. Anderson.

Mr. ANDERSON. Thank you, Mr. Chairman. The Gulf and South Atlantic Fisheries Development Foundation actively supports the creation of the National Fisheries Marketing Council.

Indeed, the industry in the Southeastern United States has historically sponsored market development programs, both in domestic and export areas. We have worked with the National Marine Fisheries Service, State agencies, universities, and our industry in the development of marketing programs that have increased sales, responded to consumer needs, and, I think, improved the quality of the seafood products in the Southeastern United States.

As noted in the "Catch America" and "Seafood USA" activities, State and regional work can complement national programs, and indeed, many mutual interests can be served. We support, therefore, the creation of a permanent and ongoing national program as a means of both complementing and supplementing State and regional programs.

Let me address some issues that I think relate to the Southeast with Alaska, noting how the ASMI program relates to programs in the State of Florida and some of the other programs in the Southeastern United States.

At present, two States, Virginia and Florida, have mandatory collections which support State marketing programs that are very effective, indeed similar to ASMI. Two other states, North Carolina and Texas, have programs in which collections are made from licensing, which also go into a marketing program. I anticipate that very shortly, the State of Louisiana will fund the Louisiana Seafood Promotion and Marketing Board. The board has already been created and I anticipate that this session of the Louisiana Legislature will fund that program.

This means that five of the nine Southeastern States, and we refer to the States from Virginia to Texas, already have industry-supported marketing programs. However, we are still unable to relate to a program such as ASMI in that no umbrella organization brings us together. In many cases, we individually go into markets, without the benefit of an organization that might better coordinate our efforts. This is expensive and sometimes redundant.

We recognize, and Kris (Vehrs) has already identified as have some of the other speakers, that there are going to be some questions as to the size of the board, the nature of the board, the referendum question, et cetera. I think, from a technical perspective, those things can be worked out.

I was pleased to see a number of references to underutilized species. This again is a problem in the Southeast and is a problem in your area of the country. We do not have, at the present time, established domestic or export markets for these resources. We differ from many other sectors of the U.S. industry in that we have yet to develop those resources and consequently, we are going to face somewhat of a chicken and egg dilemma, that is, without the development of adequate markets, it is going to be very difficult to develop the resources.

With all these things in mind, I stand before you in support of the national marketing program. I think it is very timely and many of the questions that were identified by other speakers I think can be easily resolved.

Thank you for your time.

[The statement follows:]

STATEMENT OF ROGER D. ANDERSON, EXECUTIVE DIRECTOR, GULF AND SOUTH ATLANTIC FISHERIES DEVELOPMENT FOUNDATION, INC.

Good afternoon. My name is Roger D. Anderson. I am Executive Director of the Gulf and South Atlantic Fisheries Development Foundation, Inc. On behalf of the Foundation's trustees and members, I want to express my appreciation for the opportunity to appear today in support of the proposed National Fisheries Marketing Council Act of 1983.

The Gulf and South Atlantic Fisheries Development Foundation, Inc., as with the other regionalfisheries development foundations, is a non-profit research and development corporation, organized to enhance the region's commercial fisheries. In our case, we concentrate on the resources of the Gulf of Mexico and South Atlantic, incorporating activity from Texas to Virginia. The Foundation is directed by a Board of Trustees, composed of industry representatives from throughout the region. We work closely with government, academic and private organizations to conduct activities of direct interest to the commercial fishing industry. Historical support for our work has come from the Coastal Plains Regional Commission, Economic Development Administration, International Trade Administration, National Marine Fisheries Service, individual states and private business. Over three hundred commercial fishing organizations/companies, marine suppliers and associated industries have participated in our programs.

The commercial fishing sector of the Southeastern United States constitutes a major harvester and processor of seafood. With almost 2,900 miles of coastline, the states of Virginia through Texas produced 3.5 billion pounds of fishery products worth $860 million, at the dock, in 1982. This represented 54 percent of domestic landings and over 36 percent of the value of all landed products in the U.S. This volume contribution is large due to the high menhaden landings, particularly in Louisiana, Virginia, Mississippi and North Carolina. Many of the species landed in the Gulf and South Atlantic are processed in the region, along with seafood imported from around the world. In 1981, a total of 29 percent ($1.4 billion) of the U.S.'s $4.9 billion of processed product was handled in our nine state area. It took approximately 1,700 wholesaling and processing plants, and 34,000 employees from across the region, to handle this processed product. Because of the magnitude of our region's resources, both developed and yet to be established, the region's industry has committed itself to marketing, with Virginia, Florida and Texas already having industry supported, state marketing programs.

This marketing commitment is unique in that the commercial fishing industry of the Southeastern United States is comprised of many small producers, spread over a wide geographical area, each operator being relatively independent of the other. The economic power, financial structure and market dominance of any single producer is essentially insignificant in relation to the total industry. Therefore, the

price for seafood, offered by the buyers to any one firm, is very elastic. No one firm can produce enough product to affect the market. Only total industry supply tends to change the price. Consequently, the fisherman is a "price taker" and alone cannot influence the price received. In essence, no buyer will offer a higher price for one fisherman's product as opposed to another, assuming relative quality, grades, etc. being equal. As a price taker, the only way the fisherman can increase per unit profit is to decrease per unit costs. There is no incentive for a fisherman, acting alone, to incur costs to differentiate product from other suppliers, nor is there any incentive to promote the product to receive a price differential above the market price. However, there is an incentive for the total industry to promote its product to gain an advantage over other food/meat items and to open new markets. This recognition has helped to aggressively expand market interests by our state/federal cooperators.

Our region's state and federal agencies, through their seafood marketing divisions and development sections, have initiated programs to improve the marketability of domestically harvested products. These activities are often generic in nature, designed to achieve a general set of goals within a prescribed geographic area or time frame. Since their overall goal is to increase the demand for Southeastern seafood, regional marketing personnel have joined together, expanding their respective coverage, particularly since many of the products are of a common nature, i.e. shrimp, oysters and crabs. The Virginia Marine Products Commission, South Carolina Wildlife and Marine Resources Department, Florida Department of Natural Resources, Louisiana Seafood Marketing and Promotion Board and Texas Agricultural Extension Service are examples of cooperators who've worked with the regional office of the National Marine Fisheries Service and our Foundation on both domestic and export marketing. The industry has welcomed this cooperative approach.

Most recently, the seafood marketing activities coordinated by the National Marine Fisheries Service, i.e. "Catch America" and "Seafood USA", have made it clear that national programs can uniquely complement/supplement state and regional efforts. Not only has valuable new information and visibility been developed, but sales have increased. Further, consumer attitudes, quality concerns and health-related information have been generated, a focus of the national activities. Additionally, market studies have provided important new direction to regional efforts. For example, one government study projected that over the next ten years, the U.S. demand for all seafoods would increase by at least 20 percent, reaching a level in excess of 15.5 pounds (edible weight) per capita. Based on the current populus, U.S. fishermen will, therefore, be challenged to produce over 4.0 billion pounds of edible product. Today's landings of seafood products, i.e. 3.3 billion pounds, must be increased, either through the utilization of non-traditional species or imports. With over a three billion dollar trade deficit in fishery products, the expansion of underutilized resources seems the more desirable, if not mandatory, direction for the domestic industry. Our Foundation, using Saltonstall-Kennedy and Trade Act funds, is responding to this challenge.

Compared to consumers of other food products, relatively little is known with respect to the socio-economic characteristics of seafood consumers. National attention is needed. At present, the majority of seafood products are consumed by the older members of our population. For seafood products important in the Gulf and South Atlantic, the following proportions of several species, consumed by persons over 45 years of age, were reported in a 1970 study: shrimp, 51 percent; oysters, 72 percent; crabs, 59 percent; lobsters, 50 percent; scallops, 70 percent and finfish, 59 percent. At the time of the survey in 1969, only 50 percent of the U.S. population was in this age category. Results from another research project revealed other characteristics of seafood consumers. For example, as the number of family increased, household expenditures for total fish and shellfish increased until the family size reached 10 members. However, for shellfish alone, expenditures decreased after family size exceeded seven members. Additionally, consumers who use food stamps, tend to spend five percent more on total seafoods than non-food stamp users. For the categories of whole fish, fish fillets and steaks, food stamp users spent 78 percent and 25 percent more, respectively, than non-food stamp users. Further, total seafood expenditures by black households exceeded expenditures by white households in all regions of the U.S. in 1982. This was true for whole fish, fish steaks and fillets. Blacks generally consume less canned fish and less shellfish, with the exception of households in the West. Such information, while valuable, needs to be expanded and appropriate audiences impacted.

Obviously, seafood marketing of non-traditional, as well as traditional resources, is important, with coordination of regional needs and national interests necessary. Unfortunately, there is no current marketing program to accommodate this, a

result of the peculiar nature of federal funding and the lack of authorizing legislation. The National Fisheries Marketing Council can resolve this.

In supporting the need for a national marketing program, a number of factors, based on our regional experiences, are, therefore, further suggested. They include:

1. Where appropriate, public service advertising should be a significant part of the national program. Not only is there integrity associated with public service work, but the economic return is often much greater than paid advertising. In the Southeast, state programs have often generated 5 to 10 times their dollar value by pursuing public service vs. paid promotions;

2. Export marketing should be considered as part of this program. While some region's have well-established foreign contacts, others, like the Southwest, have less than 10 years of any substantive foreign experience. With our nontraditional species yet to be developed, this is particulary important to us;

3. Selected marketing research is needed, as well as consumer education work. By studying, and then reflecting the diversity of the fishery resource, its health-related value and economic importance, all sectors of the seafood industry can benefit;

4. The national program should provide leadership, but not be expected to replace ongoing state and regional efforts. These programs, often self-supported by the industry, play valuable roles in meeting local needs on a timely basis; and

5. The marketing council should reflect, through its representation and programs, the contributions of the U.S. industry. For example, if value of landed products is to be the criteria for assessment, then the contribution from the Gulf and South Atlantic should be duly reflected.

In conclusion, the the Gulf and South Atlantic Fisheries Development Foundation, Inc. actively supports the creation of a national fisheries marketing council. The seafood industry of the Southeast has historically supported cooperative seafood market development programs, both for domestic and export purposes, and recognizes the value of a national program to complement ongoing efforts. Seafood marketing can noticeable increase sales, respond to consumer needs and focus attention on quality. The establishment, therefore, of a permanment, ongoing national marketing council could markedly enhance current efforts, while serving important needs not attainable via existing programs.

Senator STEVENS. Thank you very much.

Mr. Greenberg.

Mr. GREENBERG. Thank you, Mr. Chairman. I am pleased to appear before the committee this afternoon to present the views of Southeastern Fisheries Association with respect to S. 2160.

Southeastern Fisheries is the largest commercial fisheries trade association in the Southeastern United States. We have more than 400 members from all sectors of the commercial fishing industry, from North Carolina to Texas. Southeastern Fisheries Association strongly supports this legislation and believes that a national marketing program could be an important factor in assisting the entire industry in the United States to achieve the full utilization objectives of the Magnuson Act.

I understand that my prepared statement is being submitted for the record. Let me take a few minutes to summarize the basic reasons why we support this legislation.

One might have a sense from some of the testimony given today that we have little practical experience with marketing fish and fish products in the United States at a national level. In fact, there has been some work done but it has been of a prototytpe nature, with only limited amounts of money available. This work has been primarily conducted at the national level by the National Marine Fisheries Service through the Catch America program.

The conclusions that we draw from the experience to date are basically positive, and we believe that the time has come to build on some of the limited experience that we have had and to institutionalize a marketing program that will provide the continuity neces-

sary to assure effective promotion of the seafood industry in the long term.

It is difficult to quantify the benefits of any marketing program. Nonetheless, some efforts have been made in connection with Catch America to show what these benefits are. There is at least anecdotal evidence of the benefits that have been achieved.

For example, in connection with the Catch America program in 1981, there was some indication that participating stores in major market areas were able to increase their seafood sales by 12 to 15 percent during the periods immediately during and after the Catch America campaign. Earlier studies done of the emergency seafood marketing program in the 1974 to 1976 period also indicate that there are positive results that can be achieved by a national marketing effort.

Second, in the Gulf of Mexico and South Atlantic regions in particular, there are two important benefits of a marketing program. One is the promotion of new products. For example, the State of Florida's own marketing programs have helped create a market for rock shrimp—a market which did not previously exist—and this in turn has stimulated the development of the domestic rock shrimp industry.

Second, even for mature fisheries, such as shrimp, a marketing program such as the emergency marketing program in the 1974 to 1976 period, could help assist in the maintenance of demand for traditional species and in some cases assist in the growth of that demand.

Third, there is no doubt that marketign programs at the State level have not only worked, but have been popular with the industry. Speaking on behalf of an association, many of whose members reside in the State of Florida, I would like to point out that the industry within Florida has strongly supported the State program, has been willing to be assessed, and has indeed lobbied the State to increase licensing fees, which are then dedicated to support the State marketing program.

Fourth, only institutionalizing a marketing program at a national level can insure its long-term success. If you are going to make a significant impact on patterns of consumption in the country, you have to persist in your efforts; those efforts have to be repetitive; and you have to have a continuity in your marketing techniques. Only a national marketing program can bring those characteristics to bear upon the national marketing problem.

Finally, the industry cannot do this on its own. We need a national framework established by national legislation in order to make the program work. The industry is simply too diffuse to do it by individual members coming together on their own behalf.

In sum, there are the strongest reasons to support this legislation and we commend you in particular, Senator Stevens, for moving forward with it. Thank you.

[The statement follows:]

STATEMENT OF ELDON V. C. GREENBERG ON BEHALF OF SOUTHEASTERN FISHERIES ASSOCIATION, INC.

Good afternoon. I am Eldon V. C. Greenberg, a partner in the Washington D.C. law firm of Galloway & Greenberg. I am pleased to appear before the Committee

today to present the views of the Southeastern Fisheries Association, Inc. ("SFA") concerning S. 2160 (the "Bill"), legislation which would create a National Fisheries Marketing Council (the "Council"). SFA strongly supports this legislation and believes that its passage would be of great benefit to the commerical fishing industry not only in the Southeast, but throughout the United States.

SFA, which is headquartered in Tallahassee, Florida is the largest commercial fisheries trade association in tbe Southeastern United States. It has more than four hundred members from all sectors of the commercial fishing industry from North Carolina to Texas. SFA's experience leads us to conclude that a national, generic marketing program, of the sort envisioned by the Bill, could be an important factor in assisting the U.S. fishing industry to achieve full development and utilization of the Nation's fishery resources and so fulfill the goals of the Magnuson Fishery Conservation and Management Act.

In my testimony this afternoon, I want to focus first on some of our experience to date with generic marketing efforts at both the Federal and State levels and then explain why that experience supports creation of the Council. Second, with the need for the Council set in context, I will proceed to discuss the specifics of the Bill and make some suggestions for strengthening its provisions.

I. PRIOR GENERIC MARKETING EXPERIENCE DEMONSTRATES THE DESIRABILITY OF A NATIONAL MARKETING PROGRAM

The Bill builds in sound fashion on generic marketing experience we have had to date at the Federal and State levels. The success of these limited efforts leads us to the conclusion that the time has come to establish an institutional framework that will provide the continuity necessary to ensure effective promotion of the seafood industry in the long term.

As the Committee is aware, at the Federal level, in 1981, the National Marine Fisheries Service ("NMFS"), in cooperation with the National Fisheries Education and Research Foundation, the National Fisheries Institute, the Food Marketing Institute, and the regional development foundations, developed and implemented the "National Consumer Education and Market Development Program", usually referred to as "CATCH AMERICA". The CATCH AMERICA program was funded with $940,000 from the Saltonstall/Kennedy ("S/K") program, and $548,000 from industry. Its objectives were to increase the level and diversity of seafood consumption and strengthen the market development and distribution structure of the fishing industry. Through such activities as television, radio, magazine and newspaper placements, preparation and distribution of promotional materials, and regional seafood workships, to name a few, the CATCH AMERICA program almost certainly had an effect on the health of the fishing industry. NMFS reports that participating stores in major target areas realized an average 12-15 percent increase in seafood sales during and immediately after the campaign. Moreover, it seems likely that the activities embodied in the program not only alerted many Americans to the value of fish, but raised the level of consciousness throughout the industry and strengthened supply networks.

In both 1982 and 1983, NMFS-funded marketing projects were continued under the CATCH AMERICA theme. The 1982 program, "SEAFOOD U.S.A. . . . A Better Choice", emphasized health, fitness and nutritional benefits of seafood and utilized many of the same techniques developed in the CATCH AMERICA 1981 program. NMFS estimates that these national and regional marketing efforts, funded with $990,000 of S/K monies, reached perhaps 60 million consumers throughout the United States. Similar efforts were undetaken in 1983, where the program theme was "CATCH AMERICA . . . Taste America's Healthy Catch". The 1983 marketing program, emphasizing taste, health and fitness, and tying into preparation and training for the 1984 Olympic games, was funded by $1.25 million in S/K monies, and a matching amount from the fisheries development foundations, the industry at large, and the National Fisheries Institute.

Roger Anderson, from the perspective of the Gulf and South Atlantic Fisheries Development Foundation, can point in detail to the accomplishments of the program in the Southeast. I simply wish to mention two points. First, the promotion of markets for Gulf and South Atlantic seafood has involved the promotion of new products, i.e., previously underutilized species, so that increased sales have helped lead to new activity and so diversify and strengthen the economic base of the industry in the region. Not only has consumer knowledge been improved, but the marketing program has led to new or renewed business contacts, market efficiencies, and linkages to more distant markets, all providing a greater base for future sales and product development. Second, for mature fisheries such as shrimp, the program, while it

is difficult to document, seems likely to have assisted in the maintenance and growth of demand, thereby assuring better prices for producers.

Concurrently with the Federally-funded CATCH AMERICA efforts, programs have been underway at the State level to promote the local seafood industry. These programs have been particularly useful in the Southeast. In Florida, for example, the State has established a Seafood, Marketing and Extension Program, funded partially with monies received under the Commercial Fisheries Research and Development Act, Pub. L. No. 88-309. This program has emphasized consumer education, especially toward the use of underutilized species. The Florida program can take much credit for the growth of the fishery for rock shrimp, a species which, until recent years, was often discarded. Education and marketing efforts mounted by the State of Florida have helped educate consumers to the value of this species and have thus created an enviroment in which a directed fishery for rock shrimp could develop. The industry in Florida has been so enthusiastic about the State marketing program that it sought (successfully) to have the State increase licensing fees, which are then dedicated to support of the program.

Significant steps, in short, have been taken to improve marketing and promotion of seafood in the United States. The steps, however, have been limited. We believe that the time has come to move from prototype programs like CATCH AMERICA and to institutionalize a marketing program on a national scale, capitalizing it at a level sufficient to make a significant impact on patterns of consumption in the country. The qualities that make any advertising or marketing campaign most effective are persistence, repetition and continuity. Only an entity like the Council, with an assured institutional capacity to carry on its activities at a sufficiently well-funded level for more than one appropriations cycle, can mount programs with these characteristics. We see the Council as a necessary national complement to state and regional programs which can make a real contribution to the long-term improvement of the economic condition of the U.S. fishing industry.

I should add that this kind of marketing program is particularly important for the fishing industry in the Southeastern United States, for two reasons. First, the industry in the Southeast is not concentrated, but is made up primarily of small fishing, processing and wholesaling firms. No one company can influence price and thus no one company has the economic incentive to promote its products over its competitors'. If there is to be promotion, it must be done collectively, under a system such as that proposed by the Bill. Second, the potential of such a program in the Southeast is enormous. Not only can it strengthen markets for traditional products such as shrimp, on which much of our industry is dependent, but it can lead to development of important new markets. NMFS has estimated that, if only ⅛ of the underutilized resources of the Gulf could be harvested, this could generate revenues (ex vessel) of $150 million per year and create some 11,000 jobs. We are confident that a national marketing program will have important payoffs, not just for traditional species such as shrimp, but for this great reservoir of underutilized species. The net result should be a more vibrant and secure industry in the region.

II. S. 2160 CAN BE STRENGTHENED AND IMPROVED IN IMPORTANT RESPECTS

Turning to the specifics of the Bill, we have a number of general comments on its structure and substance, as well as some suggestions for improvement.

1. Functions of the council

We believe that the basic focus of the Bill, as set forth in Sections 3 and 6, is correct, namely, marketing and promotion of fish and fish products. The Council is likely to be most successful if it has a program with discrete targets and limited functions. However, we do have two suggestions with respect to the Council's functions.

First, several sections of the Bill (Sections 3(4), 3(6), 6(a)(5), and 6(b)(2)) not refer to "research and development" programs. In his statement on introduction of the Bill, Senator Murkowski particularly stressed R & D, including creation of "new products". We believe that any research and development functions should be limited to the selling of fish and the enhancing of the image of fish and fish products to the consuming public. Product development, i.e., surimi production, or other kinds of research and development going beyond promotion and marketing would, in our judgment, injust the Council into areas such as food engineering, where skills other than marketing are required, and would likely weaken its focus and dilute its effectiveness.

Second, we think it would be appropriate for the Bill to refer specifically to export promotion. The future of the U.S. industry depends as much upon the expansion of

foreign as of domestic markets, and many of the skills involved in domestic marketing, i.e., organizing food shows, educating potential buyers, identifying areas of product demand, etc., can be translated in foreign marketing. A marketing program, to be successful, should be broadly conceived as a multifaceted effort to promote U.S. seafood and therefore should surely have an international component.[1]

2. Composition of the council

The composition of the Council reflects an appropriate effort to ensure that the various components and regions of the industry are represented in a balanced fashion in a national marketing program. We generally applaud this approach. Industry representation and control is a sine qua non of any entity which would be funded through industry assessments. Moreover, this kind of representation and control will help ensure that the Council's programs meet the real needs of those involved on a day-to-day basis in the seafood industry.

While applauding the general concept, we have some concern with respect to the precise allocation of membership on the Council. As proposed in the Bill, the Southeast region would only have three of fifteen voting members. Yet, in 1982, the Gulf and South Atlantic region accounted for more than ⅓, or approximately 36 percent, of the ex vessel value of all landings in the United States. By the same token, because the assessment system established by the Bill is keyed, in part, to ex vessel sales prices, the industry in the Southeast promises to bear a substantial portion of the burden of financing the national marketing program. We would suggest, therefore, that the balance of membership should be altered to reflect more accurately the value of the Southest's contribution to the Council's functions.

3. Industry assessment

Under Section 7(c) of the Bill, the Council will, after October 1, 1986, be funded in part through industry assessments. The October 1, 1986 start-up date is about right—it would give the Council two years to set up assessment procedures. Further, it seems proper for the assessment to come substantially in advance of the survey on continuation of the Council (Section 10). If the industry were surveyed prior to any assessments being levied, i.e., prior to making any commitments to the program or having any operating experience with it, the chances are that the Council would not be adequately supported. If the Council is to survive, it is best that assessments be made for several years, and that the industry have the benefit of Council operating experience, before any industry-wide judgments are made on the desirability of its continuation.

The two change which we would suggest in the assessment provisions of the Bill relate to the size of the entities which would be assessed and the amount of the assessment. As currently drafted, the threshold level for assessment is $100,000 in annual gross revenues. In our judgment, this figure is too low; we suggest that a figure of $500,000 would be more appropriate. Entities with gross revenues at $100,000 level are so small that they are unlikely to have a sufficient stake in the success of the Council to support it in the long-term. As to the rate of assessment of .2 percent of the price of fish, we think this is a bit high and that a figure of .1 percent ($.50 for a 100 pound box of shrimp, assuming a $5.00 per pound ex vessel price) would be more acceptable to the industry in the Southeast and still provide sufficient operating revenues for the Council.

4. Funding levels

SFA supports starting up the program with a revolving fund of the sort specified in Section 8 of the Bill. As mentioned earlier, effective marketing requires an entity that can participate in the market with a level of participation that can assure a real impact. The CATCH AMERICA program barely scratched the surface of what can be done. In other sectors of the food industry, substantial sums have been allocated year in and year out to marketing programs. For example, in 1982, the Beef Industry Council of the Meat Board organized a $7 million plus beef advertising and promotion campaign, including national network television commercials and consumer magazine ads. Substantial funding levels are thus appropriate. Nonetheless, the $14 million specified may be somewhat more than what is necessary, at least in

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[1] In connection with the Council's marketing plans, the Bill, we note, as currently drafted would allow references to private brands or trade names if such references would not result in "undue discrimination" against competitors (Section 6(b)(1)(B)). We believe that the criterion of "undue discrimination" may create practical difficulties of application and is likely to result in disputes. We would prefer to prohibit any references to private brands or trade names in generic campaigns, or, if that is not possible, to include an even more stringent standard in the Bill.

the early years. We would suggest that a level of about $10 million annually, with $5 million from S/K and $5 million from foreign fishing fees, should be sufficient to launch and maintain a successful initiative.

5. Continuation of the council

SFA agrees that, at some point, the industry should be polled with respect to the desirability of continuing the Council's functions (Section 10). Conducting this polling in 1990 seems proper. The Council, as noted earlier, should have a sufficient time to operate before the industry decides whether it should be continued or not. If the survey were held too soon, that is, in the mid to late 1980s, then not only would the Council itself be devoting all of its time to organization and preparation for the referendum in its early years, but it would not have a track record attracting industry support.

6. Enforcement and investigations

The Bill contains extensive provisions relating to administrative review of orders, civil enforcement proceedings, and investigations by the Administrator of the National Oceanic and Atmospheric Administration (Sections 11-13). While these powers might make sense in a marketing board with broader functions, in an entity that is simply engaged in generic marketing such extensive enforcement mechanisms may not be needed. Some consideration, therefore, should be given to paring these provisions down and, in any case, Section 13 should contain a provision similar to that in Section 12, to the effect that investigations should be limited to matters relating to the enforcement of assessments.[2]

CONCLUSION

In conclusion, we believe that the Bill is not only needed, but that, with the improvements suggested above, it would provide the essential framework for a meaningful and effective marketing program. We much appreciate the support which this legislation has from the members of the Committee, and we hope that the Committee will move rapidly to adopt the Bill and move it to the floor early in this session of Congress.

Thank you again for the opportunity to appear before you today. I would be most happy to answer any questions that you may have.

Senator STEVENS. Thank you very much.

Ms. Vehrs, I understand what you are saying about the surimi-type products and I think you made some very good points in the other areas that you mentioned. But in terms of your fishing fleet, your shrimp fleet, wouldn't it be able to diversify if this promotional efforts brought about additional demand for some of the underutilized species in your area?

Ms. VEHRS. That would be a possibility—that some of them could diversify. Some of our members have tried to do that so far without very much luck.

Another thing about the members of the Texas Shrimp Association is that they are primarily shrimp harvesters and their interest is to remain in the business of shrimp harvesting primarily.

Senator STEVENS. We have that problem right now with people who have been King crab harvesters.

Ms. VEHRS. Yes, I understand that.

Senator STEVENS. Mr. Anderson, I appreciate your coming. Do you say that we could have a positive impact on the various foundations if we had this national marketing concept? We do have a series of foundations that are doing quite a good job, and I person-

[2] In one small respect, these provisions might be expanded: Section 6(b)(1)(C) prohibits the use of "deceptive acts or practices" in a plan of budget of the Council; to the extent a party contracting with the Council or purporting to act on behalf of the Council engages in such acts or practices, it may be appropriate to make these violations subject to civil enforcement proceedings.

ally take the position that this is not an effort to undermine them in any way.

Is that a feeling that persists in the foundations?

Mr. ANDERSON. I think the foundations feel that the resolution of this problem would simply free them up to move on to other areas. I certainly don't think it is competitive or in any way redundant. It certainly, as I see it, is not a threat to the foundations whatsoever, but perhaps an accomplishment of what they were set out to do in the first place, and that is to bring to bear the resources of the industry in a constructive fashion.

I believe, speaking for myself, we would be more than happy to see this development, allowing us to move on to other areas of business, or work in a complementary or supplementary fashion.

I would also want to add a comment on surimi because, unlike the Texas Shrimp Association, which is a member of the board of the Gulf & South Atlantic Fisheries Development Foundation, we do have an evolving industry in the Gulf of Mexico which is surimi-related, and that is the only operating company that produces surimi in the United States is located in Bayou La Butre, Ala., and one of the major shrimp processing companies, located in Lakeland, Fla., is producing, using Alaskan pollock, a substitute product which basically resembles shrimp.

I think Kris's concerns are valid, because our intent is to do whatever we can to stabilize the traditional industries. But in noting the movement within the shrimp processing sector, because of the lack of available shrimp in the worldwide market, there simply won't be any more shrimp available to consumers.

What has happened is that the shrimp processing sector, recognizing this, sees some markets that are available, particularly institutional markets—school lunch, prisons, et cetera—in which surimi-like products do, because of their cost and because of the ability to produce a fabricated product that greatly resembles the traditional product, compete successfully.

It would not be our intention, in the evolution of a surimi or analog business, to do anything to destabilize the traditional industries, but rather to meet market demand in those sectors which basically are ruled out of the seafood industry because of cost.

Senator STEVENS. Thank you very much.

Mr. Greenberg, do you know of any estimates that have been made about the extent of the economic benefits that could come to the industry by utilizing the underutilized species to improve the marketing of those species?

Mr. GREENBERG. Senator Stevens, there have been a number of studies done over the past several years of the potential of the underutilized fisheries in the Gulf of Mexico. Roger Anderson has been responsible for many of those. He has been looking at fisheries like the Red Hake Fishery in the western Gulf and the squid fishery off the mouth of the Mississippi.

We think that there are substantial benefits which can be achieved by developing markets for some of those fisheries which are now underutilized. Several years ago NMFS did a study which estimated that if one-sixth of the underutilized species in the Gulf could in fact be harvested, that would generate ex-vessel revenues

in excess of $150 million and perhaps provide as many as 11,000 new jobs in the Gulf of Mexico region.

One cannot say that there would be a one-to-one correlation between efforts put into a marketing program and the development of these underutilized species in the Gulf, but an effective marketing program, targeted on some of those species, could help bring about that development.

Senator STEVENS. Thank you.

One of my friends told me the other day that if we could convince all schools in this country to serve fish once a week, we are talking about an increased demand of 1 billion pounds a year, which ought to be worthwhile.

We do thank you very much. All of the statements that have been submitted will be printed in full in the record. We do thank those of you who have appeared and taken the time to assist. Whether you agree with us or not, we hope that you will change your mind after reading the record.

We will notify all concerned of any further hearings. We don't have any in mind at this time. We do hope to mark up the bill some time this year.

Thank you very much.

[Whereupon, at 4:03 p.m., the subcommittee was adjourned.]

NATIONAL FISHERIES MARKETING COUNCIL

FRIDAY, MARCH 23, 1984

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
NATIONAL OCEAN POLICY STUDY,
Boston, Mass.

The committee met, pursuant to notice, at 8:30 p.m., in room A, the New England Room, Hilton Hotel, Hon. Ted Stevens presiding.

OPENING STATEMENT BY SENATOR STEVENS

Senator STEVENS. I would like to apologize to you for being late. The airplane was late getting into Washington, actually, so we were late getting out.

We have asked to have this hearing on S. 2160, a bill to establish the National Fisheries Marketing Council, and, I might say, we decided to hold the hearing on this bill here in Boston in order to address the concerns of New England fishermen and seafood processors about some of the provisions of the bill. I want to thank all of you who have come tonight and, again, I'm sorry that this meeting has been held up so long. We wanted to give our special thanks to the New England Fisheries Development Foundation for helping to arrange the hearing.

The National Fisheries Marketing Council concept must have the support of the entire seafood industry if it is to be established. Your comments and your recommendations will enhance the effectiveness of this bill and I'm hopeful we'll have those comments tonight.

Unless there is some objection we intend to follow a round table format, or a square table format, tonight. I would like to call upon other panelists at the table here for comments and after receiving their comments we would welcome a discussion and comments from anyone who is present.

The commercial fishing industry is important to our national economy. It provides employment, in coastal areas, obviously, and in the seafood processing centers. Our country has 20 percent of the world's fish resources, yet we harvest only a fraction of those resources. As you know, prices are being forced down by subsidized foreign competition. If we are to realize full utilization and development of our seafood processing industry we must work to expand the market in the United States for seafood products.

A well coordinated marketing program, in my opinion, could strengthen the competitive position of the united seafood industry both here at home and abroad. Marketing of seafood products on a regional basis has been productive, but the small regional groups

operating independently have not been able to influence or direct consumer purchasing patterns on a national scale. The domestic market for agricultural commodities has been expanded by a number of very effective industry supported marketing programs. The American agriculture industry spends well over $100 million each year on generic marketing by beef, pork, egg, mutton, and other commodity marketing boards. I think there are some 50 of those marketing boards now.

The National Fisheries Marketing Council established by this bill would be one board to promote fish and fish products on a generic level. The marketing program of the Council would be established to expand the market for all U.S. seafood products. Equal representation on the Council from all regions of the country is required under the provisions of the bill. Any reference in Council marketing programs to private marketing brands or trademark names is prohibited. The Council would develop and coordinate a nationwide program of education for the American public about health and nutritional benefits of fish products. It would build the American consumers confidence in the quality and the nutritional value of domestic fish products. In addition to strengthening the economic position of the American commercial fishing industry, our bill would benefit, I think, America's public health.

The average American family consumes 10 times more beef than fish annually. Current research has indicated that an American diet high in fish and fish oils may reduce the incidence of cardiovascular disease. Encouraging the acceptance of fish and fish products could reduce the risk of health hazards such as heart attacks, and check the spiraling costs of health care in our country.

During the first 7 years of its operation, the Council would be completely funded with fees collected from foreign fishing operations within our waters. Eventually the Council would have to be funded through industry assessment. I have listened to the seafood industry's concerns about the provisions of S. 2160. There has been dissatisfaction expressed over the amount of time required to obtain refunds of industry assessments. The industry has also indicated that it would be best to hold a referendum on the continuation of the Council before any assessments could be levied. We are working to revise S. 2160 to assure the proper refund of industry assessments and to schedule a referendum on Council continuation before any industry assessment would be made.

A number of commercial fishermen have told me that they feel that they would not benefit from the assessment refunds provided to seafood processers. It does seem to me that there is a possibility in that regard and we should address that problem. We would welcome any suggestions you have that would lead to a more equitable distribution of the refunds to processors and to fishermen based on the contributions that were originally made.

The U.S. seafood industry is being confronted with increased competition from a well subsidized Canadian fishing industry. I think we should move aggressively now to assure that our domestic seafood industry captures its own share of our own market before that Canadian program starts. I have been advised and asked by northeastern fishing interests to support efforts to eliminate unfair Canadian pricing of codfish in the U.S. market. I intend to lend my

full support to that effort, and hope to enlist the support of the west coast codfishing industry as a partner to this action. I think that would be one of the side benefits of the kind of cooperation that we envision by this bill. A unified and well coordinated effort will be required to expand the market for U.S. seafood, and this is the kind of cooperation that I think would be an outcome of such an effort.

Some industry groups have opposed the establishment of the Council that we have suggested. I really can't agree with them and I hope those of you who disagree with me here will understand the position that I am taking on this. There was opposition, we can go back and get it out and recite it, from the agricultural community at the time commodity boards were suggested in the agriculture area. That opposition was expressed at the outset of those programs. The success of those marketing boards has been so striking that they are now unanimously supported. There is absolutely no opposition expressed in the agriculture area to the marketing boards. They are now supported by every facet of the farming industry. As a matter of fact, if Congress attempts to tamper with those boards it's like sticking your hand in a hot fire. There is just no question about it. The marketing communities of the agriculture industry support those boards. At noon we had a luncheon for the National Press that works in Washington and we served them surimi. You are going to see a fairly decent, I hope, article in U.S. News & World Report on the whole concept of surimi and what it means to the national industry.

I'm doing my best to try and call attention to seafood and seafood products from a very good, solid constituency. I represent an area that has half the coast line of the United States and is the greatest potential for expanding as far as seafood is concerned, I think, in the country. We want to make certain that there is a national seafood industry and we believe that we should seek and reach out, and I'm trying to do this all over the country for national support for this council concept. To emphasize the need for seafood marketing in the United States, I would like to include in the record an article by Prof. Robert Buzzell of the Harvard Business School. Professor Buzzell's research indicates that seafood products are undermarketed.

[The article follows:]

CONFERENCE TOLD TO STEP UP ADVERTISING, PR

Seafood products attending the International Seafood Conference in Vienna were admonished for belonging to an industry whose products are undermarketed and for which little consumer research has been undertaken.

Robert Buzzell, professor of marketing at the Harvard Business School, pointed out that seafood producers spent $14.4 million in 1982 in major media advertising (excluding newspapaers), only two-thirds of 1 percent of total food product advertising, and a fraction of 1 percent of retail seafood sales. Canned salmon and tuna marketers spent 56 percent of the total.

A comparision of seafood producers' advertising with that of producers of other food products over the past five years shows a 10 percent decline in seafood advertising compared with tremendous increases by competing food groups.

ADVERTISING EXPENDITURES, U.S. MAJOR MEDIA

[Dollars in millions]

	1977	1982	Percent change
Milk, butter, eggs	$52	$66	+27
Cheese	23	59	+156
Fruits and vegetables	24	45	+88
Poultry	9	24	+167
Meat	55	85	+55
Seafood	16	14.4	−10

Not only does seafood lag in promotions, but it also fares poorly in new product developments. Buzzell cited a Food Engineering survey which shows that, of the 2,442 new items (including flavors, sizes, etc.) introduced into U.S. supermarkets from July 1981 to June 1982, only 45 were seafood products, less than 2 percent of the total.

Buzzell also accused the industry of undermarketing because of a lack of knowledge of markets and consumers. Even the information that has been compiled, such as the NMFS seafood consumption survey and the Canadian Department of Fisheries and Oceans' survey, have not been fully analyzed, he said.

Of the three approaches to advertising, Buzzell feels that proprietary brand marketing, as opposed to generic or cooperative brand advertising, is most important for the seafood industry. He pointed to the success of Frank Perdue as an example of how powerful brand advertising can be.

But marketing is more than just advertising, Buzzell said. "Public relations activities reach many more people per dollar of expenditure than advertising does," he claimed, emphasizing that PR is important for food marketers because consumers are looking for information about food.

While Buzzell applauded the efforts to establish a National Fish Marketing Board, he feels campaigns such as the Catch America campaign are too broad in their approach and lack focus. "Seafood is simply too broad, and too diverse, to serve as the focal point of a marketing effort. Just as there are separate and distinct programs to promote apples, oranges, and strawberries . . . there should be separate marketing efforts for major types of seafood. . . . A good example is the campaign conducted by the Norwegian sardine producers," Buzzell said.

Leonard Gibeon seconded Buzzell's remarks and provided an example of consumer research done by the Campbell Soup Company, for which he is strategic planning manager. Gibeon foresees radical changes in the seafood industry over the next 25 years through aquaculture, development of underutilized species, and the overcoming of market barriers to nontraditional species.

To take advantage of seafood's potential, Gibeon suggested that a company: define its business, identify its consumers, and market its products aggressively and creatively. For example, Campbell's decided it was in the "wellness" business, the business of keeping people well through good nutrition and exercise. Campbell's now markets physical fitness equipment in addition to more than 1,000 food products.

After extensive consumer research, Campbell's revamped its entire line of 44 Swanson Frozen Dinners, cuting down on fat and salt, eliminating heavy gravies and starches, and replacing metallic trays with microwavable trays. The changes reflect consumer demands for convenience and nutritious meals. Also as a result of the consumer research, the premium Le Menu line of frozen dinners was introduced. The new line has experienced "phenomenal" sales, according to Gibeon.

"By identifying what business we were in, by carefully scrutinizing our consumers, and then giving them what they want, we were able to breathe new life into an old, established product, and we simultaneously brought out a very successful new product," said Gibeon. He described a similar effort Campbell's is undertaking with Mrs. Paul's Kitchens and Domsea Salmon.

Marketing was only one of several topics addressed at the 6th Annual International Seafood Conference. Proceedings are available through ISC at 1101 Connecticut Ave NW, Suite 705, Washington, D.C. 20036. 1984's Conference will convene in London November 3-6.

Senator STEVENS. I want to thank you for coming. What we thought we would do is deal with comments from those who are

here on a panel level. I want to introduce my administrative assistant, also a fisherman from Alaska, I might add, Bill Phillips. I hope you have all had a chance to meet Bill.

Bill, I think you ought to introduce all the other staff people that are present here so everybody knows who they are and then tell us who should participate first in these discussions, and I do hope they turn into some discussions where we will have some give and take as far as this is concerned. I apologize for a Friday night. I've got to confess I'm a candidate this year. I don't have many hours and can't get away from the Senate during the week. The only time that is available to me is a night such as this. So I'm sorry to drag you away from your families on Friday night but I hope it's a productive effort.

Bill.

Mr. PHILLIPS. Tom Armitage is to my left. He is a Sea Grant fellow who is in our office for a year. Both a business student and a biology student, and he has been working on this board in our office.

I should introduce in the audience, and I hope they will join us up here at the table, Jim Drewry, who is minority counsel to the Commerce Committee, someone who has years of experience in fishery matters.

There are a couple of empty seats. Why don't you both join us?

And Jim Gilmore, who is on Senator Packwood's staff of the Commerce Committee, who is also assigned to fishing issues in the Commerce Committee.

I should say one quick word about Jim Drewry. He has been around this process longer than a lot of us and has great insight and experience in matters affecting fishing legislation.

Senator STEVENS. Let me introduce at least one representative of Senator Kennedy's office here. We had hoped maybe Senator Kennedy might be able to come by and visit with us for a few moments this evening. He is tied up and has sent word that he is tied up at another affair involving, I think, the archbishop, and we have got to understand those things.

Do you know everybody here?

Mr. DELANEY. My name is Brian Delaney from Senator Kennedy's office, and this is Steve Wood with Congressman Studds.

Mr. PHILLIPS. The format that we thought we would take is to go around the table. We split the groups off into a somewhat logical order and if you could give a short summary, 5 minutes of your testimony, we'll get through the group on the initial comments and then begin an exchange. The square table concept is so that people can talk to each other, and we'll keep the questions until the end so we can have everyone participate. Hopefully not a free-for-all but it should be a more open format.

Senator STEVENS. And we do have a reporter here. We are going to make this an adjunct of the testimony we have already taken in Washington. If you have got anything more that you want to say we will be able to take it and print it in the record when the record is printed.

Mr. PHILLIPS. Ken, why don't we begin with you?

STATEMENT OF KENELM COONS, EXECUTIVE DIRECTOR OF THE NEW ENGLAND FISHERIES DEVELOPMENT FOUNDATION

Mr. COONS. I'm Ken Coons, executive director of the New England Fisheries Development Foundation. Senator, we have assisted you in organizing this hearing and discussion because many of us see definite merits in the Marketing Council. However, everyone I have talked to also has some problems with the proposed legislation as it's now written. Rather than trying to speak for these concerns I would like to give you my personal views.

First of all, I support the need for a substantial domestic seafood marketing program. We in seafood are competing with beef and poultry for what I like to call share of stomach. These are protein products which enjoy extensive marketing program benefits under the Department of Agriculture. Your bill would help raise seafood to a similar status.

Your bill proposes to capture $4 million from the S-K program. And while I, as a foundation staffer, don't like to see any erosion of this already depleted program, it would have the benefit of forcing a good allocation of these fishery development funds to marketing. I have found that marketing is the one activity that all segments of industry can agree is needed. Yet it has been very difficult to persuade the Commerce Department to support seafood marketing.

Now let me comment on some of the difficulties that I have with the proposed legislation.

First of all, I agree with the comments that you made at Seafood 1984 in Boston, that if the beef and protein industry had the good nutritional news that seafood has they would be all over the media with it. The health story applies to all seafood and is appropriate for a national overlay advertising campaign. There are seasonal promotion opportunities which can be coordinated nationally. However, I also feel very strongly that at least 50 percent of the Marketing Council revenues should be reinvested in the regions from which the funds are derived. The funds should be invested in regional species marketing programs, specific marketing programs under regional control. The foundations, the local port, and State seafood councils and related organizations, provide a readymade experienced network to carry out this work.

There is some concern that I have heard expressed that otherwise we would have not only the subsidized Canadian fish, which you mentioned, to deal with, but also seafood from other parts of the country promoted with dollars that were taken from the industry in the Northeast.

Second, I have some difficulty with the makeup of the council which seems to be inequitable. I have here a comparison of landings and imports from which the assessment income would be derived, which illustrates a little inequity as the bill is now written. An analysis of these figures, which show that New England's share of landings and imports, if you combine the two, is 19 percent of the total of the United States, the Northeast region, which includes New England, the Mid-Atlantic, and the Great Lakes, accounts for 45 percent. In comparison, Alaska represents 8 percent. The whole Pacific coast, with Alaska, is 26 percent. It's then difficult to see how it is equitable to establish a board in which a region represent-

ing 45 percent of the dollar input has the same voice as one representing 8 percent. I think you can see from this why New England fishermen are concerned that funds from their area might be used to promote other people's fish.

My third comment is on the provision for recovery of assessments. I feel this provision should be eliminated if at all possible, since the referendum provides adequate remedies for termination of the program. The fishermen feel, correctly I think, that they will never see the assessment refunds: whereas processors and importers will find it relatively easy to maintain the necessary records to file for refunds. Quite frankly, it appears to me that the major source of assessment funds from this program will come from imports. And I think that is desirable. Why provide a way for this segment to recapture the assessment?

In summary, there is real merit in an industry directed substantial marketing program for domestic seafood with the present consumer trends toward health and diet and the corresponding interest in healthy foods. The timing is ideal. There is now substantial evidence of the role of seafood avoiding heart attacks and other ailments. However, the seafood marketing opportunities vary regionally and to be equitable there should be at least 50 percent of the income available for regional programs in proportion to assessment input. The provision for recovery of the assessments appears to place an unfair burden on domestic fishermen and weakens the effectiveness of the bill. The makeup of the Council needs to be redrawn to reflect the regional income input.

I appreciate this opportunity to comment, Senator.

[The statement follows:]

STATEMENT OF KENELM W. COONS, EXECUTIVE DIRECTOR, NEW ENGLAND FISHERIES DEVELOPMENT FOUNDATION

I am Kenelm Coons, Executive Director of the New England Fisheries Development Foundation, a 146 member trade association of New England fishermen's organizations, seafood processors, as well as importers, exporters, and marketers of seafood.

Senator Stevens, we have assisted you in organizing this hearing and discussion because many of us see definite merits in the Marketing Council. However, everyone I've talked to has problems with the proposed legislation as it is now written. In subsequent testimony, you'll be hearing from a number of industry leaders in New England, many of whom are also directors of the Foundation. Rather than trying to speak for them, let me give you my personal views

First, I support the need for a substantial domestic seafood marketing program. Professor Buzzell of the Harvard Business School, recently analyzed seafood marketing and found that in 1982, total domestic seafood advertising was only two-thirds of 1% of total U.S. food advertising, and half of that goes for tuna and salmon. Only 45 of the 2,445 new food products introduced that year were seafood products!

We in seafood are competing with beef and poultry for "share of stomach". These other protein products enjoy extensive marketing program benefits under the Department of Agriculture. Your bill would help raise seafood to a similar status.

Your bill proposes to capture $4 million from the S–K program. While I do not like to see any erosion in this already beleagured program, it would have the benefit of forcing a greater allocation of these fishery development funds to marketing. I have found that marketing is the one activity that all segments of the industry can agree is needed. Yet, it has been very difficult to persuade the Commerce Department to support seafood marketing. They tend to say, "It's industry's responsibility". (That's the same thing they said three years ago about development of surimi based products!)

Now, having recognized some of the positive aspects of the Marketing Council, let me comment on some of the difficulties.

First, I agree with the comment you made at Seafood '84 in Boston that if the beef, or the poultry industry had the good nutritional news that seafood has, they'd be all over the media with it. The health story applies to all seafood and is appropriate for a national overlay advertising campaign. And there are seasonal promotional opportunities which should be coordinated nationally. However, I feel very strongly that at least 50% of the Marketing Council revenues should be re-invested in the regions from which the funds are derived. The funds should be invested in regional species-specific marketing programs under regional control. The Foundations and the local port and state seafood councils and related organizations provide a ready-made, experienced network to carry out this work.

It would be wasteful and inequitable to take all the Marketing Council income and invest it in a generalized "Eat Seafood" campaign. Furthermore, this raises the fear that funds derived from this region, which I must say has the broadest range of species that people want to eat across the country, would be used to introduce unknown species from other regions to compete in our traditional markets at lower cost. We'd then have not only the subsidized Canadian fish to deal with but also domestic West Coast and Alaskan fish promoted with dollars taken from industry in the Northeast.

Second, the makeup of the council is inequitable. The NMFS regions are a curious basis on which to establish regional lines since they bear no relation to the distribution of resources, imports, or consumption.

The following comparison of landings and imports, from which the assessment income will be derived, illustrates the inequity in the bill as now written:

[Dollars in thousands]

	1981	1982	1983
New England:			
Landings	$355,850	$373,918	(1)
Imports	679,900	790,133	$1,072,670
Total	1,035,750	1,164,051	2 1,428,520
Northeast region:			
Landings	588,628	599,528	(1)
Imports	2,152,106	2,129,597	2,799,566
Total	2,740,734	2,729,125	2 3,388,194
Alaska:			
Landings	639,797	575,569	(1)
Imports	359	561	347
Total	640,156	576,130	2 640,144
Pacific and Alaska:			
Landings	1,063,449	964,321	(1)
Imports	786,919	887,003	904,051
Total	1,850,368	1,851,324	2 1,967,500
Total United States:			
Landings	2,387,739	2,398,993	(1)
Imports	4,119,667	4,467,013	5,088,527
Total	6,507,406	6,866,006	7,476,266

1 Not available.
2 1983 estimated totals are a combination of 1981 landings and 1983 imports which gives the benefit of the doubt to Alaska and Pacific.
Source: Landings—NMFS; imports—Bureau of Census.

This table shows that New England's share of landings and imports dollars is 19% of total U.S. The Northeast Region accounts for 45%. By comparison, Alaska represents 8% and the whole Pacific Coast plus Alaska is 26%.

How then, is it equitable to establish a board in which a region representing 45% of the dollar input has the same voice as one representing 8%? You can see why New England fishermen are concerned that funds from their area will be used to promote other people's fish.

My third comment is on the provision for recovery of the assessment. I feel this provision should be eliminated. The referendum provides adequate remedy for termination of the program. Fishermen feel, correctly I think, that they will never see the assessment refund; whereas processors and importers will find it relatively easy to maintain the necessary records to file for a refund.

Quite frankly, it appears to me that the major source of assessment funds for this program will come from imports. Why provide a way for this segment to recapture the assessment?

In summary, there is real merit in an industry directed substantial marketing program for domestic seafood. With the present consumer trends toward health and diet and the corresponding interest in lighter foods, the timing is ideal. There is now substantial evidence of the role of seafood in avoiding heart attack and other ailments.

However the seafood marketing opportunities vary regionally and to be equitable, there should be at least 50% of the income available for regional programs in proportion to the assessment input. The provision for recovery of the assessment appears to place an unfair burden on domestic fishermen and weakens the attractiveness of the bill. The makeup of the Council needs to be redrawn to reflect the regional income input.

Thank you for this opportunity to comment.

Senator STEVENS. We will have some comments later but I would rather just go around every table first.

Thank you.

Earl.

STATEMENT OF EARL CONRAD, CHAIRMAN OF THE BOARD, HOLMES CANNING CORP.

Mr. CONRAD. My name is Earl Conrad, and I want to thank you, Senator, for taking time to come here and explain this bill, legislation to us. I think we all appreciate it very much. I have the full text of a speech which I did not get a chance to submit in Washington and I have passed it back there, but I will kind of condense it and keep it within the amount of time allotted.

For several years I have personally advocated that the Department of Agriculture be charged with the responsibility of all shoreside activities associated with fisheries. For our industry to be competitive and to progress we must focus our attention on improving our processing, packaging, distribution, marketing, and promotion of our domestically caught marine products. The U.S. Department of Agriculture has been assisting the land food industry in these areas of business operation for many years through federally supported national programs. Most of these programs have been denied to the fishing industry.

Thirty years ago National Fishery Service, then the Bureau of Commercial Fisheries, was in the Department of the Interior, which was addressing our primary concern at that time, which was conservation and preservation of our resources. During that period we established a network of research centers to further understand the biology of marine life. These centers are in place functioning well and providing vast amounts of information on marine environments. In the late 1950's, when the agency was transferred to the Department of Commerce, the intention was to focus on the problems associated with trade of fish. As a result fish have been treated as a commodity and managed by Commerce much as it manages TV sets, automobiles, and steel.

In 15 years, from 1960 to 1975, the total annual consumption of fish in the United States went up 775,000 pounds. However, im-

ports went up 800,000 pounds, while the U.S. production actually declined slightly. The worst impact for commerce was a negative trade in fishery production for that period of over $1 million.

The problem in 1976 appeared to be production. Since the passage of the Fishery Conservation Act in 1976 landings have increased to over 6 billion annually.

The bad news is, however, that while the domestic consumption again increased since 1975 by 250,000 pounds annually, imports have matched this boost pound for pound. The worst impact, again, for Congress is that the negative balance of trade has certainly grown. By the end of 1982 it reached $3.5 million. The problem, clearly, is the fact that the Department of Commerce is concerned with the development of trade, not concerned with putting the U.S. fish in a domestic marketplace. The Department of Agriculture, on the other hand, feels that marketing is so important that they have designated an undersecretary charged with that responsibility. A position equivalent to the head of NOAA.

As a result of this activity imports of agricultural products stay around 5 percent of the total agricultural products consumed in the United States, whereas we all know imports amount to about 55 or 60 percent of the fish consumed in the United States.

In the last year I have begun to face the reality and understanding that neither the Department of Agriculture or their constituents desire to have fisheries included as they look upon us as competitors in the marketplace. It is this, primarily, that I enthusiastically, S. 2160, endorse. If we can't join them let's copy them.

Marketing councils have been used extensively and successfully in the Department of Agriculture for many years. Although some of the the details of organization may be different S. 2160 is conceptually the same. I do share a concern with some of the fishing interests. Not all areas of the country will receive attention commensurate with their needs or in relation to the fees collected. I would like you to consider the addition of the provision to assure that some portion of the funds available would be devoted to the promotion of the species in the area from which the fees are collected.

I would also suggest the use of the organization of the many fisheries development councils or foundations that have been established around the United States. If the foundation could be given some form of official status we might then include in the legislation a requirement that the Marketing Council employ the foundations and executive staff. They could serve primarily as a liaison between the regional fishing interest and the national office. The foundation members include and represent nearly every fishing interest in the region. Therefore, while the Marketing Council members can direct their attention to national interests and overall planning, the development foundations can be used for the purpose of developing regional plans which would assure equitable distribution of the fees collected.

I want to thank you for the opportunity to express my opinion and, again, thank you for coming, sir.

[The statement follows:]

STATEMENT OF EARL J. CONRAD, JR., CHAIRMAN OF THE BOARD, HOLMES CANNING CORP.

Thank you for coming to Boston and providing the opportunity for me and others to express support for your legislation.

For several years I have personally advocated that the Department of Agruiculture be charged with the reponsibility of all shore-side activities associated with fisheries. For our industry to be competitive and to progress, we must focus our attention on improving our processing, packaging distribution, marketing, and promotion of our domestically caught marine products. The U.S. Department of Agriculture has been assisting the land food industry in these areas of business operation for many years through Federally supported national programs. Most of these have been denied to the fishing industry.

Thirty years ago the National Marine Fisheries Service (then the Bureau of Commercial Fisheries) was in the Department of Interior, which was addressing our primary concern at the time which was conservation and preservation of our resources. During that period we established a network of research centers to further understand the biology of marine life. These centers are in place, functioning well, and providing vast amounts of information on the marine environment. In the late 1950's when the agency was transferred to the Department of Commerce, the intention was to focus on the problems associated with the trade of fish, and as a result, it has been treated as a commodity and managed by Commerce much as it attempts to manage TV sets, automobiles, and steel. In the fifteen years from 1960 to 1975, the total annual consumption of fish in the United States went up by 775,000 pounds; however, imports went up by 800,000 pounds while the U.S. production was declining. The worst impact for Commerce was a negative balance of trade in fishery products of over $1 billion. The problem in 1976 appeared to be production, and with the passage of the Fisheries Conservation and Management Act of 1976, landings have increased to over $6 billion pounds annually. The bad news is, however, that while the domestic consumption has increased since 1975 by 250,000 pounds annually, imports have matched this growth pound for pound. The worst impact again for Commerce is that the negative balance of trade has steadily grown and by the end of 1982 reached $3.5 billion. The problem clearly is the fact that the Department of Commerce is concerned with the development of trade and not concerned with putting U.S.-caught fish into the domestic marketplace.

When you read the publications of the National Marine Fisheries Service, you find where they can cite all of the catch statistics, both in and out of the Fishery Conservation Zone (FCZ), they can detail import and export activity by species and by nation of origin or destination. Their marketing efforts, however, consist primarily of producing a daily and weekly price list for each area of the country, and the entire Washington staff devoted to this activity is but a handful. The Department of Agriculture, on the other hand, feels that marketing is so important that they have designated an Undersecretary to be charged with this responsibility, a position equivalent to the head of NOAA. The staff devoted to these activities numbers in the hundreds, and if an agricultural product enters this country, they can immediately identify its market target area and the domestic consumer so that U.S. food processors can immediately take steps to offer stiff competition. As a result of this activity, imports of agricultural products stay around 5 percent of the total agricultural products consumed in the United States, whereas we all know fishery imports amount to between 55 to 60 percent of fish consumed.

In the last year I have begun to face reality and understand that neither the Department of Agriculture nor its constituents desire to have fisheries included in Agriculture, as they look upon us as a competitor in the marketplace. It is primarily for this reason that I enthusiastically support S. 2160. If we can't join 'em, let's copy 'em.

Marketing Councils have been used extensively and successfully in the Department of Agriculture for many years. Although some of the details of organization may be different, S. 2160 is conceptually the same.

I do share concern with some other fishing interests that not all areas of the country will receive attention commensurate with their needs and in relation to the fees collected. I would like you to consider the addition of a provision to assure that some portion of funds available would be devoted to the promotion of the species in the area from which the fees were collected. I would also suggest the use of the organization of the many Fishery Development Councils that have been established around the United States. If the foundation could be given some form of offical status, we might then include in the legislation a requirement that the marketing council employ the foundations as executive staff. They could serve primarily as a

liaison between the regional fishing interests and the national office. Every development foundation currently uses Saltonstall-Kennedy grants as its primary source of funding. With the passage of this legislation, some foundations fear reduction of the funds available form S–K grants. Employment in this fashion would, however, tend to minimize the impact of any possible reduced funding. The Foundation members include and represent nearly every fishing interest in a region, and therefore, while the Marketing Council members can direct their attention to national interests and overall planning, the Development Foundations can be used for the purpose of developing regional plans which would assure equitable distribution of fees collected.

Thank you for the opportunity to express my views on this important legislation.

Senator STEVENS. Thank you, Earl.

Jim Salisbury.

STATEMENT OF JAMES SALISBURY, PRESIDENT OF THE MAINE FISHERMEN'S COOPERATIVE ASSOCIATION

Mr. SALISBURY. My name is Jim Salisbury, I'm president of the Maine Fishermen's Cooperative Association. We have had many specific concerns about the bill and many of those have been addressed by other groups. Ken has mentioned them. You have, yourself, begun addressing those concerns. They are, of course, the regional situation of the whole effort; problems with the representation on the Council; the assessment fees and refunds. Those are all concerns that we have that we hope could be very directly addressed and we see this as an effort to do that.

But what I would like to concentrate on right now is a more basic concern, and that is, from a New England fisherman's point of view, what species can we benefit from with this effort? There are two efforts that can be done. One, on marketing our traditional species that are fully utilized in a certain sense. They are suffering from competition with other areas' underutilized species, cod from Canada; the cod from the State of Alaska, and everyplace else. Our fuller utilized fishery, we are concerned about its having to compete with these species, that we are calling underutilized.

Another possibility we have is what underutilized species do we have in this area that could benefit us the same way as the other areas are trying to benefit their species. We have very few. They are underutilized is basically we are suffering from a commodity market price that we just can't produce at. Can this kind of an effort bring that price up? Can it make it possible for us to compete? We can catch the fish. It's just a matter of can we sell it and make any money at it?

We have basic concerns that, can this kind of an effort accomplish that? I don't know. I can't answer that specifically. I think that the discussion here today is addressing some of our specific concerns. I think we can answer those pretty easily. We could probably satisfy our regional concerns and get on board with this. That is why I'm here.

My real question, though, is from the New England point of view. Can this really address our fundamental problem? And if it can, I'd like to be convinced. If it can be I would certainly be one of the most wholehearted supporters. But it's with that sense of reservation that I would like to discuss this tonight.

Thank you.

Senator STEVENS. Thank you, Jim.

Richard Allen.

STATEMENT OF RICHARD ALLEN, REPRESENTATIVE OF THE ATLANTIC OFFSHORE FISHERMEN'S ASSOCIATION

Mr. ALLEN. My name is Richard Allen and I am representing the Atlantic Offshore Fishermen's Association. The membership of our association includes commercial fishing vessels, owners, crew members, and associated businesses from Maine to Hawaii. Our members are involved in the harvesting of most species of swimming fish and shellfish found in that area.

We appreciate this opportunity to express our views and we also appreciate the support for the fishing industry which is evidenced by this legislation. We cannot, however, support this legislation in its present form. Our biggest problem with the legislation relates to the degree of exposure which the concept of the Fisheries Marketing Council funded by taxes on production has had amongst the harvesting sectors of the industry. Although the idea of a Fisheries Marketing Council has been anticipated for sometime it has not been a prominent issue in the industry. Since the creation of the Fisheries Marketing Council also involves the creation of an entirely new system of taxation for the fishing industry it is not something to be taken lightly.

Our general concern about the Fisheries Marketing Council and a new taxing agency are heightened when we read the actual legislation. We find much of the legislation to be ambiguous and confusing. For example, a number of terms used in the legislation are not defined in the section on definitions. Members, for example—we find that members have certain responsibilities under the legislation, but we do not know, however, what a member is.

We find that the first function of the Council is to create and issue orders. We don't find orders defined in the section on definitions. It has been our understanding in the past that marketing order are a specific type of economic tool. It is not clear whether the term order in this legislation relates to marketing orders or to orders in the sense of rules and regulations.

One of the most troublesome items in the legislation, and the most confusing, is who will actually pay the 0.2-percent tax on production. The tax is evidently based on the production of harvesters or is collected from processors. Processors, or receivers, also seem to be the ones who will be allowed to file for refunds, will have considerations. It is not clear, however, whether the intent is to have the receiver deduct the tax from the proceeds given to the harvesters or whether there is any relationship between what the harvester receives for his products and the tax, other than its use as a base.

As the legislation is presently written it would seem that the receiver would have a strong argument in actually deducting the tax from their return to the producer. If the tax is deducted from the amount the producer receives from the receiver it seems that the producer should be the one who would file for the refunds and contribution. The legislation does not seem to provide for this. If the tax is actually going to be collected from the producer, the harvester, we have additional problems with the concept.

The idea of a tax on the industry to support the necessary activity of the industry is a concept which has a great deal of appeal to

many of us who are in a position where we are trying to carry out the goals which the industry sets for itself. This concept, however, has not enjoyed a great deal of support within the harvesting sector. At least on the east coast. Faced with the prospect of a broad federally supported tax such as this, we might ask ourselves what are the most appropriate priorities for the use of the funds generated?

Marketing is one of the many issues facing our industry. Many sectors of our industry may not feel that marketing is the most, at this time, critical problem toward which these funds should be put. We must also keep in mind that the harvesting sector of the fishing industry is one of the few examples of pure competition left in our economy. Fishermen are price takers with no control over the price that they receive for their product. Thus they have no ability to recover additional costs such as this proposed tax, with no means of incorporating this additional cost into the price they receive, and, therefore, into their total revenue. This tax will have the same effect as increased insurance costs, increased fuel costs and increased interest charges, or other costs. It will force a certain number of our freighters out of business. I think we must also remember that the fishing industry, as we term it, is not a homogeneous mass, but is actually made up of many different little industries in different operations. If we are talking about taxing every producer of seafood products we must also talk about whether it is realistic to who the programs, which will be carried out with this funding, will benefit all of those producers. In many cases it seems likely that those least likely in need of the activities of a marketing council will be supplying the greatest funds to the Council.

It also seems possible that, either directly or indirectly, the activities of the board could actually harm some segments of the industry. Direct impact would include competition between products, one product being promoted by the board which might take the place of the traditional products, which is a concern to the members of the Atlantic North Shores Fishermens Association. The expansion of offshore fisheries for underutilized species such as squid, which could result in more direct conflict between offshore lobstermen and between mobile gear operators going after these underutilized species.

Whereas lobsters are one of the highest valued species on the east coast and one which is unlikely to receive a great deal of attention by other marketing boards, it's easy to see how the lobstermen can end up funding an activity which would actually cause them problems in the long run. I don't mean to imply that our association is opposed to the development of our underutilized resources. We do believe, however, that a system of taxation on the fishing industry is a very complex issue which needs to be thoroughly evaluated.

We have additional specific concerns about the representation on the board from the various regions and fisheries in sectors of the industry. We are also concerned about the open-ended nature of the authority given to the Council to increase the assessment on the industry without limit. We are concerned about the vague nature of the employment problems. We are concerned about the definition of domestic fish products. We are also concerned about

the creation of a new bureaucracy, particularly a national level bureaucracy. It has been our experience that activities in the national level are often not responsive in a timely way to concerns at the regional level. We generally favor regional rather than national body.

In this regard we have some concerns about the impact of, and the relationship between the National Marketing Council and the Regional Fishery Development Foundation. We believe that both industry assessments and broader marketing efforts have some potential. We do not believe, however, that the concepts embodied in this legislation have received a thorough discussion necessary to insure that they achieve the desired results.

Thank you.

[The statement follows:]

STATEMENT OF RICHARD ALLEN, REPRESENTING THE ATLANTIC OFFSHORE FISHERMEN'S ASSOCIATION

My name is Richard Allen and I am representing the Atlantic Offshore Fishermen's Association. The membership of our association includes commercial fishing vessel owners, crew members and associated businesses from Maine to Virginia. Our members are involved in the harvest of most species of swimming fish and shellfish found in that area.

We appreciate this opportunity to express our views and we also appreciate the support for the fishing industry which is evidenced by this legislation. We cannot however, support this legislation in its present form at the present time. Our biggest problem with the legislation relates to the degree of exposure which the concept of a fisheries marketing board funded by a tax on production has had among the harvesting sectors of the industry. Although the idea of a fisheries marketing board has been around for some time it has not been a prominent issue in the industry. Since the creation of the fisheries marketing board involves the creation of an entirely new system of taxation for the fishing industry, it is not something to be taken lightly.

Our general concerns about the fisheries marketing board and a new taxing agency are heightened when we read the actual legislation. We find much of the legislation to be ambiguous and confusing.

For example, a number of terms used in the legislation are not defined in the section on definitions. "Members" for example. We find that members have certain responsibilities under the legislation. We do not know, however, what a "member" is. We find that the first function of the council is to create and issue "orders". We don't find orders defined in the section on definitions. It has been our understanding in the past that "marketing orders" are a specific type of economic tool. It is not clear whether the term orders in this legislation relates to marketing orders or to orders in the sense of rules and regulations.

One of the most troublesome items in the legislation and the most confusing is who will actually pay the .2% tax on production. The tax is evidentally based on the production of harvesters but is collected from processors. Processors or receivers also seem to be the ones who would be allowed to file for refunds of their contributions. It is not clear however, whether the intent is to have the receivers deduct the tax from the proceeds given to the harvesters or whether there is any relationship between what the harvester receives for his product and the tax other than its use as a base. As the legislation is presently written it would seem that receivers would have strong argument in actually deducting the tax from the returns to the producer.

If the tax is deducted from the amount the producer receives from the receiver, it seems that the producer should be the one who would file for the refund of the contribution. The legislation does not seem to provide for this. If the tax is actually going to be collected from the producer, the harvester, we have additional problems with the concept. The idea of a tax on the industry to support the necessary activities of the industry is a concept which has a great deal of appeal to many of us who are in a position where we are trying to carry out the goals which the industry sets for itself. This concept however, has not enjoyed a great deal of support within the harvesting sector, at least on the East coast. Faced with the prospect of a broad federally suppported tax such as this we might ask ourselves what are the most appro-

priate priorities for the use of the funds generated. Marketing is only one of many issues facing our industry. Many sectors of our industry may not feel that marketing is the most critical problem toward which these funds should be put.

We must also keep in mind that the harvesting sector of the fishing industry is one of the few example of pure competition left in our economy. Fishermen are price-takers, with no control over the price they receive for their product. Thus, they have no ability to recover additional costs such as the proposed tax. With no means of incorporating this additional cost into the price they receive, and therefore into their total revenue, this tax will have the same effect as increased insurance costs, increased fuel costs, increased interest charges, or other costs: it will force a certain number of operators out of business.

I think we must also remember that the fishing industry as we term it is not a homogenous mass but is actually made up of many different little industries and individual operations. If we are talking about taxing every producer of seafood products we must also talk about whether it is realistic to hope that the programs which will be carried out with this funding will benefit all of those producers. In many cases it seems likely that those least likely in need of the activities of the marketing board would be supplying the greatest funds to the board. It also seems possible that either directly or indirectly the activities of the broad could actually harm some segments of the industry. Direct impacts would include competition between products; one product being promoted by the board which might take the place of a traditional product.

An indirect effect which I can see and which has concerned the members of the Atlantic Offshore Fishermen's Association is the expansion of offshore fisheries for underutilized species such as squid which could result in more direct gear conflicts between offshore lobstermen and between mobile gear operators going after these underutilized species. Whereas lobsters are one of the highest valued species on the East coast and one which is unlikely to receive a great deal of attention by the marketing board it's easy to see how the lobstermen can end up funding an activity which would actually cause them problems in the long run.

I don't mean to imply that our Association is opposed to the development of our underutilized resources. We do believe however, that a system of taxation on the fishing industry is a very complex issue which needs to be thoroughly evaluated.

We have additional specific concerns about the representation on the board from the various regions and fisheries and sectors of the industry. We are also concerned about the open ended nature of the authority given to the council to increase the assessment on the industry without limit. We are concerned about the vague nature of the appointment process. We are concerned about the definition of domestic fish products. We are also concerned about the creation of a new bureaucracy particularly a national level bureaucracy. It has been our experience that activities at the national level are often not responsive in a timely way to concerns at the regional level. We generally favor therefore, regional rather than national bodies. In this regard we have some concerns about the impact of and the relationship between the national marketing council and the regional fishery development foundations.

We believe that both industry assessments and broader marketing efforts have some potential. We do not believe however, that the concepts embodied in this legislation have received the thorough discussion necessary to insure that they achieve the desired results.

Senator STEVENS. Thank you, Richard.

Lucy.

STATEMENT OF LUCY SLOAN, EXECUTIVE DIRECTOR, NATIONAL FEDERATION OF FISHERMEN

Ms. SLOAN. Thank you.

We have continued to hear a great deal of concern from various of our members about this, the refunding. One point about which virtually all of my members with whom I have talked have said that if we haven't that, then we have nothing, and we don't support it. We, too, are concerned about the board makeup. I think Ken's point on the values of landings and imports is completely well taken, and it gets to one of the issues I addressed in February. I think in terms of the taxes were there to be a referendum to establish a national marketing board, we continue to think that a

significant chunk of money, 60 to 80 percent, should go to the regions for the reasons that I outlined in February. We think that these, after all, are regional products. The regions have a better idea of what is to be available, when to sell to whom, under what conditions. The regions may find it more profitable to look not at the domestic market for certain products but internationally. But the question is marketing regional products, and that makes sense if it is done by people in the region.

We do not think that any segments of the industry should be exempt from this and were there to be a taxing authority it seems curious, indeed, to allow people to take money back, particularly only one segment of the industry. Either this is going to be done or it isn't going to be done. I suspect, working myself for an organization funded on dues as do most of my members, or dues in combination with assessments, that you find that usually very few people carry something which benefits a tremendous number of people. So that simply is not equitable.

Again, as I raised in February, we are clearly concerned about their priority for increasingly scarce Federal dollars. And I think we oppose the fisheries loan fund which, when it was put into plan, and we expressed continuing reservations about the use of it, were it to be used. One of the things that has continued to concern us in a variety of arenas is having something which the General Treasury tends to regard as a fish tax, which we no longer have foreigners paying into the fisheries loan fund.

It is entirely unlikely that the general treasury is going to turn around and take it out of our hides, and in that case we wanted you to think very clearly about the precedent which we establish for the use of Federal moneys.

As regards the question of the agriculture board, and the question of the discussion we had, Senator, about beef; one of the difficulties with seafood is that beef is pretty much beef unless you are making a distinction between, say, Coban beef and Texas beef. But there is a difference, as you know better than most, between Alaska and, for example, Chesapeake Bay crab, or the crab, the red crab of this coast. There is a significant difference. And you look at the, of course, look at the—Chris from the Texas association made a point that there is a big difference between eating white fish and shrimp. So that it isn't quite as clear cut. Another point about the agriculture boards is that virtually anybody involved in them today grew up with them. They don't know anything else. This is the way it's always been. And we're in the position now to evaluate, particularly given the problems that the agriculture industry is facing because of the degree of involvement of the Federal Government in the agriculture business, and I think it's fairly understood that, it's fairly clearly understood that the payment and time program is a howling disaster not unlike some of the Canadian subsidiary programs, and as a result we in the fishing industry are very seriously concerned to evaluate whether we wanted to find ourselves in the same sort of boxes in which the farmers put themselves on a regular basis. I think there is no question as we discussed in February that marketing is necessary. The question is the priority the different segments of the industry around the country assign to marketing and, again, evince very scarce resources financially, both

within the industry and within the Federal Government. Although there is certainly agreement that marketing is a priority I think if you put four people in a room from different segments of the industry you would find in it four different places of priorities. So those continue to be concerns. In my brief statement which I appended to my February remarks I outlined in slightly more detail 5 points about which our members are to be concerned. If these can be addressed we'd very much like to continue this discussion. If they can't it leaves us with nothing but opposition, unfortunately.

We appreciate this very much, this kind of information opportunity to do it informally. I think this is something I'd like to see perhaps more of in Washington. I think we can accomplish something that sometimes hearings don't give us an opportunity to and we appreciate it. Thank you.

Senator STEVENS. Thank you.

Mr. Arnold.

DANIEL ARNOLD, EXECUTIVE DIRECTOR OF THE MASSACHUSETTS DRAGGERS ASSOCIATION

Mr. ARNOLD. Thank you for coming here and holding this informal hearing or meeting, and I apologize for not having any prepared statement to submit and I'll try to be brief.

We seem to all have some similar concerns that we have somewhat different ideas in these areas. I speak first about the tax concept. First I should say I'm the executive director of the Massachusetts Draggers Association, and we have over 100 boats in the association which range up to approximately 65 feet in length.

So to get back to tax; my feeling on this, and I really haven't had the opportunity to sound out too many members on this, so I'll say my feelings. I don't think that the tax should be refundable at all. This would eliminate a lot of the problems with the mechanisms for refunding and the apparent inequities that we see, would occur in refunding this at all. Still on the tax I wonder if it, if a value added tax concept was ever considered rather than just a first point of sale tax. You know, a value added tax at a lower figure, perhaps $1 million instead of $2 million, and that it would be picked up time and time again along through the sale and resale products. This might generate even more money, but it would spread the tax burden more equitably throughout the industry. I have real concern about this, the National Marketing Council, and the method of appointing what the system would be, for appointing or selecting and appointing members who would be the, who would make the final decision, or who would be a member. I can see more problems with that than I can see good with that in that particular area.

The cost of maintaining this Council would be considerable and come out of the moneys collected. I wonder if it would be a cost-effective council when you look at the cost of maintaining the Council? These Council members would be part-time. They wouldn't get paid for their time. Having been a member of the New England Fisheries Management Council, which was a part-time occupation, I always felt that I wanted to spend more time at it and felt that I could have done a better job. We have three coun-

cil members, existing council and present council members, here. I think they probably all agree with me that if they could spend more time they could do a better or more complete job, and I just wonder how effective these Council members would be, because they all are going to be taking time from their businesses and they're going to be thinking, "Well, I really ought to be home taking care of my own personal affairs, and I'm doing this," and I don't understand the telephone checking, all of these problems. I just, I think there would probably, we have a bill. We're going to have a national structure in here to serve some function, but I feel that because I think we have a very effective system going here now with the foundation, I think that money collected in this area, my feeling is a little more radical than some of the other people said so far, I think that the fees collected here should stay here. But I guess that isn't too radical an idea, and I, as I see people talking about 50 and 60 percent, which is good, but I'd like to see 100 percent stay here. And I would like to see, my personal feeling is I would like to see it handled by an organization that has proven its worth on a pretty limited budget and they have managed to handle the funds that they have been able to get and I think have done an outstanding job. If some of the foundation and some foundations in some other areas are less effective, but we went the foundation route. I think these other foundations might well become a great deal more effective. So I would just like to put in my plug for regional handling of regionally collected funds.

Thank you.

Senator STEVENS. Thank you.

Mr. Mirarchi.

STATEMENT OF FRANK MIRARCHI, PRESIDENT OF THE MASSACHUSETTS DRAGGERS ASSOCIATION

Mr. MIRARCHI. Yes. Senator Stevens, I want to thank you very much for coming, appearing with us tonight. My name is Frank Mirarchi and I'm a commercial fisherman and serve as president of the Massachusetts Draggers Association. I'd like to address my remarks tonight, if I might, as an individual fisherman. I've fished for 20 years and during that time I found myself consistently and increasingly frustrated by the fact that I am as much a victim of circumstances as I am manager of my own destiny. I find that more and more I'm placed in the position of offering what I have in a marketplace which is totally indifferent to what I have to say about what I produce. This bothers me. I think that the concept of a National Fisheries Marketing Council is an extremely positive step, and one that is long overdue. My only criticism of the legislation is the fact that is there is not a more regional emphasis on the marketing. I think that regions such as New England have unique products and unique problems which would be better addressed at the regional level, but on a positive note, I find myself, and my cofishermen in the paradoxical situation in New England where we're increasingly devoting our efforts to a dwindling number of species for which there is high competition, traditional species which are highly priced. At the same time there is a large diversity of species that used to be called underutilized. I don't think in un-

derutilize any more but they're certainly undermarketed. That is the price is unrealistically low and as a consequence, incentive to catch them and the qualities that are produced correspondingly low. These are areas where marketing is extremely valuable and extremely necessary. Some of these species would be, I just might add, would be the dog fish, the hakes, the squids, the whiting pollack, fish that we have the technology and abilities to catch in large amounts. But we don't have the market for areas like this are ideal target for this type of marketing concept. I really would like to heartily endorse the concept of a marketing council. I have said for a long time that it is extremely functional, needed, and is long overdue and I commend the intent of the legislation. Thank you.

Senator STEVENS. Thank you for being here.

Jim Costakes.

STATEMENT OF JAMES COSTAKES, EXECUTIVE DIRECTOR, NEW BEDFORD SEAFOOD COUNCIL, AND GENERAL MANAGER, NEW BEDFORD SEAFOOD PRODUCERS ASSOCIATION

Mr. COSTAKES. My name is Jim Costakes and I'm the executive director of the New Bedford Seafood Council, and general manager of the New Bedford Seafood Producers Association.

The New Bedford Seafood Council represents approximately 180 vessels and 1,600 crewmen who fish out of the Port of New Bedford. In terms of the value of landings, New Bedford is the largest dollar value port of the east coast. I appreciate the opportunity to present my organization's views on the establishment of a National Fisheries Marketing Council.

There is no doubt that when it comes to the consuming of seafoods, the U.S. levels are very low when compared to other developed nations. We have a long way to go in terms of making seafood a significant factor in the American diet. The annual U.S. per capital consumption over the past decade has been fairly steady at 12 to 14 pounds. In Japan, the average annual per capita consumption in recent years has approached almost 150 pounds. An aggressive marketing program could assist in increasing U.S. consumption, but keep in mind that fish must compete with beef, pork, poultry, in the marketplace. Therefore price, in relation to the other sources of protein, is always a factor. We have serious reservations about the proposal to establish a National Fisheries Marketing Council, particularly concerning who will pay for the Council's programs; who will benefit from the programs; and how effective it will be. The legislation proposes to conduct generic advertising. Due to the tremendous level of imported seafood products entering the United States, this type of advertising would benefit foreign fishermen as well as U.S. fishermen. The U.S. industry suffered from a fisheries trade deficit of approximately $3 billion in 1982. We are a fish importing country whose domestic harvesters must compete with subsidized foreign fleets. It is no surprise that foreign products come to you at very low prices which we cannot match. Speaking specifically about the New England market, we are competing with Canada's Atlantic fisheries which produces the lion's share of a country's total earnings. Canada is by far the larg-

est exporter of fish and fish products to this country, and unfortunately the New England market is the major recipient of the Atlantic Canadian product. Generally there is no way for a consumer to distinguish between a U.S. product and a Canadian product. The only country of origin labeling law can be in fact as one which applies to foreign fish process and packaged outside the United States and made ready for immediate consumption. In only those cases is the place in which the product was processed, required to be displayed on the product. Foreign fish processing in the United States is not subject to this requirement. In fact, foreign fish processed here can get a U.S. Department of Commerce Grade A seal. Given the inability of the consumer to differentiate U.S. fish from Canadian fish or any other imported fish product, a generic advertising campaign would benefit Canadian products as well as American. Unfortunately, they already enjoy a high percentage of our market, and generic advertising would perpetuate that position. We do not see generic advertising as aiding U.S. fishermen in gaining a greater percentage of markets share. However, the U.S. fishermen will be paying for all the advertising.

I recommend that if the Marketing Council were established, one of its priorities should be to require all seafood products to bear a label indicating the product was caught and processed in the United States. Further, I recommend that any advertisement to emphasize to the consumer that he or she should look for the products of the U.S. label to be assured of quality in American origin.

Quite simply, this program should strive to enhance the domestic industry as stated in section 3 of this bill. Greater purchases of U.S. fish would lead to greater utilization of the resource, increase employment and more business opportunity.

Concerning the proposed assessments and board representation, it appears that the mature established fisheries will be paying the bulk of these fees. Those fisheries with established markets and reasonable prices will pay more to the fund than the dolphin fisheries that cannot command as high a price. Any allocation of funds must reflect to benefit those who pay. The fishermen are willing to pay their fair share. However, they will not pay for something they do not receive a fair value back in return. Therefore, any allocation of funds and representation on the board, must reflect the interests of those who contribute. It is also important that we make sure that imported fish is assessed at the same rate as domestic fish. The New Bedford Seafood Council has conducted its own advertising program for many years now. We have expanded our markets as a result of our activities. Each vessel contributes a small percentage of the value of its catch to a promotional fund. With the Marketing Council, we're concerned that the Council might not get the most out of its advertising dollar. We're also concerned that the recipients of advertising funds may not apply the funds efficiently. To assure that the recipients are serious in their marketing endeavors, we therefore recommend that they be required to match any funds received from this Council. It is easy to spend free money frivolously, but when your own money is on the line it's a different story. The matching fund requirement would insure that money is well spent and that the advertiser be knowledgeable and experienced.

Regarding participation in the Marketing Council, we believe that it should be strictly voluntary from the outset. Again, the Council is spending the fishermen's money. The cost associated with the participation will probably be passed on to the consumer to some degree. Therefore, increasing the cost of fish to the consumer, vis-a-vis beef, pork, and poultries, a price increase may cause harm to the market than the advertising we'll gain. Furthermore, the money will come out of the harvester's pocket. As I stated earlier, fishermen will pay if they receive fair value for their money. The Council would have to prove its effectiveness and value.

I want to thank you for the opportunity to comment on this legislation and I look forward to working with you and your staff in the future.

[The statement follows:]

STATEMENT OF JAMES COSTAKES, EXECUTIVE DIRECTOR, NEW BEDFORD SEAFOOD COUNCIL

Good evening. My name is James Costakes. I am Executive Director of the New Bedford Seafood Council and General Manager of the New Bedford Seafood Producers Association. The New Bedford Seafood Council represents approximately 180 vessels and 1,600 crewmen who fish out of the port of New Bedford, Massachusetts. In terms of the value of landings, New Bedford is the largest commercial fishing port on the East Coast.

I appreciate the opportunity to present my organization's views on the establishment of a National Fisheries Marketing Council.

There is no doubt that when it comes to the consumption of seafood, United States levels are very low when compared to other developed nations. We have a long way to go in terms of making seafood a significant factor in the American diet. The annual U.S. per capita consumption over the past decade has been fairly steady at twelve to thirteen pounds. In Japan, the average annual per capita consumption in recent years has approached almost 150 pounds.

An aggressive marketing program could assist in increasing U.S. consumption, but keep in mind that fish must compete with beef, pork and poultry in the marketplace. Therefore, price, in relation to those other sources of protein, is always a factor.

We have several serious reservations about the proposal to establish a National Fisheries Marketing Council, particularly concerning: who will pay for the Council's programs; who will benefit from the programs; and how effective will it be.

The legislation proposes to conduct generic advertising. Due to the tremendous level of imported seafood products entering the United States, this type of advertising would benefit foreign fishermen as well as U.S. fishermen.

The U.S. industry suffered from a fisheries trade deficit of approximately $3.4 billion in 1982. We are a fish importing country whose domestic harvesters must compete with subsidized foreign fleets. It is no surprise that foreign products come to the U.S. at very low prices which we cannot match if we intend to stay in business.

Speaking specifically about the New England market, we are competing with Canada's Atlantic fisheries which produces the lion's share of that country's total landings. Canada is by far the largest exporter of fish and fish products to this country and unfortunately, the New England market is the major recipient of the Atlantic Canadian product. Furthermore, Canada also leads all foreign countries in the amount of fish caught in the North Atlantic U.S. Fishery Conservation Zone. In other words, they are catching our own fish and selling them back to us.

Generally, there is no way for a consumer to distinguish between a U.S. product and a Canadian product. The only country-of-origin labeling law (19 U.S.C. 1304) currently in effect is one which applies to foreign fish processed and packaged outside the United States and made ready for immediate consumption. In only those cases in the place in which the product was processed required to be displayed on the product. Foreign fish processed in the United States is not subject to this requirement. In fact, foreign fish processed here can get a U.S. Department of Commerce grade seal.

Given the inability of the consumer to differentiate U.S. fish from Canadian fish or any other imported seafood product, a generic advertising campaign would bene-

fit Canadian products as well as American. Unfortunately, they already enjoy a high percentage of our market and generic advertising would perpetuate that position. We do not see generic advertising as aiding the U.S. fishermen in gaining a greater percentage of market share. However, he would be paying for all of the advertising.

I recommend that if the Marketing Council were established, one of its priorities should be to require all seafood products to bear a label indicating that the product was caught and processed in the United States. Further, I recommend that any advertisement emphasize to the consumer that he or she should look for the "Product of USA" label to be assured of quality and American origin.

Quite simply, this program should strive to enhance the domestic industry as stated in Section 3 of the bill. Greater purchases of U.S. fish would lead to greater utilization of the resources, increased employment and more business opportunities.

Concerning the proposed assessments and Board representation, it appears that the mature established fisheries will be paying the bulk of the fees. Those fisheries with established markets and reasonable prices will pay more into the fund than developing fisheries that do not command as high a price. Any allocation of funds must reflect and benefit those who pay. Fishermen are always willing to pay their fair share. However, they will not pay for something they do not receive fair value for in return. Therefore, any allocation of funds and representation on the Board must reflect the interests of those who contribute. It is also important that we make sure that imported fish is assessed at the same rate as domestic fish.

The New Bedford Seafood Council has conducted its own advertising program for many years. We have expanded our markets as a result of our activities. Each vessel contributes a small percentage of the value of its catch to a promotional fund. With the Marketing Council, we are concerned that the Board may not get the most out of its advertising dollar. We also also concerned that the recipients of advertising funds may not apply the funds efficiently. To assure that the recipients are serious in their marketing endeavors, we therefore recommend that they be required to match any funds received from the Board. It is easy to spend "free money" frivolously, but when you own money is on the line, it is a different story. A matching fund requirement would ensure that money is well spent and that the advertiser be knowledgeable and experienced.

Regarding participation in the Marketing Council, we believe that it should be strictly voluntary from the outset. Again, the Board is spending the fishermen's money. The costs associated with participating will probably be passed on to the consumer to some degree, thereby increasing the cost of fish to the consumer vis-a-vis beef, pork and poultry. A price increase may cause more harm to the market than the advertising will gain. Furthermore, the money will come out of the harvesters' pocket. As I stated earlier, fishermen will pay if they receive fair value for their money. The Board will have to prove its effectiveness and value.

Thank you for the opportunity to comment on this legislation. I look forward to working with you and your staff on this matter.

Senator STEVENS. Thank you.
Al.

STATEMENT OF AL GUIMOND, PRESIDENT, STONINGTON SEAFOOD PRODUCTS

Mr. GUIMOND. Thank you, Senator.

My name is Al Guimond. I'm president of Stonington Seafood in Galilee, R.I.

You already have my prepared text from the February hearing, but I want to hit upon a few things that still strike me as tend to be missing. There is a lot of technical things that have been commented on about the bill and how it's structured. My biggest reason for supporting the concept of the Marketing Council is quite simply, no one is doing anything. We're doing it individually; we're doing it quasi-regionally; but no one is doing it collectively. And it's easy enough to find fault with any piece of legislation that comes out initially. And I think there has been some good points raised by many people. But to compare it that it's a boogey man coming down and another bureaucracy, I think, is wrong. Because if the

makeup of the Council is correct and industry supports it, it will work. If the industry doesn't get involved, it won't work and it will be something else that will respond to a few and not to many. The question of assessments of the dues, I said it in February. If there is a concern that the fishermen have, that they can put into the pot and can't take it out, sounds like a very logical one. I suggest, as I did then, that it not be an assessment on the fishermen, the harvesters themselves but, do it on the processor I am a processor. In reality, if that, based on what I heard for comments tonight, and similar ones in February, if that puts a few people's minds to rest, I'll say what I said in February. If you honestly think that not paying the assessment directly as a tax is going to lessen the harvester's cost to market product, then there really is a Santa Claus somewhere out there. I look at product awareness. We talk in New England where we have a few underutilized species, as they have been called, and Frank hit upon them, they're undermarketed. There is no question about it. We are price takers. Why? Where are our products going? We are not raising the awareness to the consumer that it is worthwhile to eat seafood. First, just seafood. As Jimmy pointed out, we have a somewhat unique problem in this area because of the large amount of imports coming from Canada. I think Jimmy made a good suggestion on product identification. The most important thing is Canada is going to be spending, I think it's $24 million, that they budgeted to do advertising and so forth in the States. And if that doesn't give an indication as to the importance they place on marketing, that you know, we're missing it. So I still support it. I'm not goin to get that technical about some aspects of it but, one, I don't mind paying the price because if we raise an awareness and demand by 1 percentage point, just 1 percentage point, on a consumption level, listen to what that will do in poundage. And there is no one who can argue the point that if public awareness is out there, and you raise that consumption level by that 1 percentage point, which is a little over a pound, someone's got to buy the product, someone's got to supply it and if there are more people who want to buy it and more people who want to supply it to the more people who want to buy it, there is more competition. And if there is more competition then price has to follow some natural order. We're not, we talk about the fishing industry as price takers, well hell's bells, you know, if you want to be price takers somebody's going to take you. Be price setters. And the way you can do is that is to move products in good a market way, and we're not. We get a lot of flack as to why we're not developing domestic utilization on a couple of species, squid, being one, someone suggested butterfish, but I quite seriously doubt we'll ever really get an appetite for butterfish. Because I'll eat just about any seafood there is and I have yet to see butterfish prepared well enough. Notwithstanding that, they say why don't you? Why don't you get into it? And let me repeat what I said in February. Anyone, whether it be a fisherman or a small processor, take a look at what it costs, never mind national advertisement, never mind even regional advertisement. A local ad in the paper. I want to run a special for 1 week, what is a special? Is it 5,000 pounds of cod fillets? I want to run a quarter page ad in the Providence Journal, 8 cents a pound my friends, it costs me for advertising that small quantity.

And there are very few processors who really, in this area, process much more than that on an aggregate total. They really don't. They're looking to market further. So we're talking about market development and I could pick apart a lot of the theres and the fors and the who is a member and who isn't a member and how this is structured, and everything else. But I'm just going to tell everybody, what is the alternative? There is none being talked about? And anyone who thinks that since 1977, that we've done a lot of things on our own and the industry is going to grab itself by the backside, and been involved in this marketing, where has it been? Not just in 1977, where has it been, period? And so, I still support it, I haven't changed my mind, don't plan on changing my mind, because I don't see anything else being offered on the table. And right at this point in time, if we don't start doing some marketing, and the concerns expressed by the imports, you're going to see it starting to go the other way; pure and simple. Because look what some of the advertisers on imported product talk about: Do you want fish that's been on a boat, fresh, for several days, referring to us guys, or do you want this nice imported product that is caught, processed and frozen at sea? They're doing that kind of advertising in our backyards, and they're telling you, your fresh fish isn't fresh. So if you want to talk about why we're price takers, instead of price setters, it's because we've allowed ourselves to be taken. So I'm going to pass it on, otherwise I'll get emotional and I don't like to. Thank you Senator for coming up here. As I said in February, there is a lot of people have different view points up here and you have to listen to them. They have genuine concerns, you can't fault anyone for that. But I just caution everyone, fine, the bill goes down in defeat, if that is what some people think, what is the alternative, what's the next move guys? You will never seen another effort. You will not see it. It won't come from us because it hasn't. So let us not please kid ourselves. It's an opportunity, work with it. Work with it for the right reasons. Thank you.

Senator STEVENS. Thank you, Al.

Mr. Berkowitz.

STATEMENT OF GEORGE BERKOWITZ, OPERATOR OF RETAIL MARKETS, WHOLESALER, AND PROCESSOR

Mr. BERKOWITZ. Thank you, Senator.

I sit in a typical position here, one of this marketing. I operate four restaurants in the Boston area. Seafood exclusively. We sell 40 different varieties of fresh fish. I operate three retail markets. We buy wholesale from the boats. We cut our own fish, we process it; then we sell it retail, and we cook it. The word marketing strikes a very quick note as far as I'm concerned because we have been doing our own marketing and I can tell you the results of this marketing. We, as a family, my two oldest sons work with me, we're on television at least once a week and we market fish. We market species of fish. We market—I think my oldest son has been on channel 4 for the last 3 or 4 months and will have suggestions on fish, what's in the market for the week and how to cook it. And we see results immediately from this marketing program. It's not a question, now everybody here differs how it ought to be held, how they

want this bill to be applied and how they want it to work. But the interesting part about it without marketing, nothing. I can have the best fish in the world but unless I told a customer out there that my fish is better than anybody else's, and it is, we are not going to sell it. General Motors does marketing, selective markets. Everybody does it. And we, in this business, we don't do it. Purdue does it. He markets chickens. He sells an awful lot of chickens. We know immediately after we do our marketing what happens. We have customers that come into the store and buy their products. We market morning fish. They start to come in buying morning fish. It proves how effective this really is. So I can't but approve, say anything negative about this. I know that the Harvard Business School has a separate program and it's just called marketing. And there is proof over there who said that you have to do selective marketing. I didn't know I was doing it but I've been doing it all the time. I've been picking my market and putting it on TV and we have been doing underutilized species. I think Ken asked me to go down to St. Louis once and try to push seafood from New England. We had a tremendous turnout. The people wanted to learn about fishing in St. Louis. They apparently don't understand what good fish is and what fresh fish is. We have more people coming up to us asking us, "Can you ship us fish? Ship us codfish." And I think that with that sort of marketing, I think it would help the entire industry. I say eat more fish means eat more west coast fish, eat more east coast fish, only eat fish. That is all we're concerned with.

Senator STEVENS. Thank you.

Mr. Langley.

STATEMENT OF MICHAEL LANGLEY, COASTAL FISHERIES OF NEW BEDFORD

Mr. LANGLEY. Senator Stevens, ladies and gentlemen, I'm afraid Al took all the wind out of my sails here tonight. It's not an enviable position being one of the last speakers of a situation like this, but on behalf of my company, Coastal Fisheries of New Bedford, I think that I have to state unequivocally that we very much support the concept of National Fisheries Marketing Council and we support S. 2160. And I think we have to support it on an industrywide basis for many of the reasons that Al brought up, and that is that I don't see any other alternative. We're in a situation today where unfortunately in our industry it's very capital intensive, it's very labor intensive. Unfortunately, it's not very profit intensive. And because of that we find it increasingly more difficult for companies like Coastal Fisheries and many of the other processing and marketing companies in and around this country, many of whom belong to the National Fisheries Institute, or other related institutes, to do the type of advertising that we must do in order to move that per capita, that consumption figure up, and that really is the major problem facing our industry today. I think that if people don't have an appreciation for that I just think you are totally out to lunch. That is the problem. We have many other problems within our industry, within the different sectors of the industry. But I think the single most important issue today is consump-

tion, and the only way we're going to increase consumption is by spending money for advertising. I think that the Canadian companies, the Icelandic companies, the European companies realized this years ago. If you pick up the trend magazines that we all subscribe to you are going to see a tremendous advertising in there. Most of it is for more foreign fishing companies and a lot is being subsidized by their governments. As far as the assessments aspect of the bill, I think that the NFI went on record as saying, and I'd like to sort of paraphrase that, first we believe that a referendum vote should be taken within the industry before assessments are made. It is essential that assessments be fair and that is that those companies assessed receive benefits in appropriate relation to their payments. Because of great diversity of companies and products involved we believe that it is preferable to let the Council develop an assessment program and submit it for a vote before the collections begin. Too many proposed marketing programs have failed because of the unfairness of assessments. The other issue within the assessment question, and I bring it up now, and I don't think I've heard anybody mention it, is that potential cap of assessment. That is we have a number of large companies, some of which are located right here in New England, and the first one that comes to mind is Gorton's of Gloucester. Now, the domestic fishing industry is not going to supply their needs of raw material to support their programs. Because of the type of business that they're going to have to go out and they're going to have to spend a lot of money as Mrs. Paul and Van DeCamp that they compete against to promote branded products. I think that because of their rather unique situation it's going to be progressively more difficult to think that they're going to want to, you know, participate 100 percent in this type of program because they're going to have to spend these moneys anyhow, and I think if we're going to get support of the companies like that we're going to have to give that issue some thought.

The other thing, and this is sort of something out of history that I would like to bring out. A number of years ago there was a concept that eventually developed into a marketing program. It was called the North Atlantic Seafood Association. Within the association we had members from Canada, Iceland, Denmark, Norway, I believe Greenland participated at one time, and so forth. The problem with the North Atlantic Seafood Association was that although it did a lot of concentrated advertising that, at that time, I think everybody in industry felt that it was excellent in terms of quality and what it did, you know for the consumption of seafood. It was a major effort to promote North Atlantic seafood it didn't really. Indirectly I think it helped domestic processors and sellers, as well. But, the problem with the North Atlantic Seafood Association was that some of the countries did not participate financially. They were supposed to, they did not. And as a result of that, a couple of years ago in San Francisco, the North Atlantic Seafood Association simply went out the window. And the problem was funding. I think that some of the people around the table brought up the issue, should assessments be refunded? I know it's a difficult issue politically, but I really do think that if this type of concept is going to fly, if it's going to regenerate itself there has got to be something that we can have within the industry 5 and 10 years from now, we

have to take a very hard look at that. I think the last thing, I'd like to say, since so much of the ground has been covered tonight and I think there is certainly going to be a question-and-answer period here anyhow is, if there are a lot of people in this industry that say, today, when they look at S. 2160, can we afford this type of marketing program? I think you really have to turn the whole thing around and you have to say, can we not afford this type of program? And I think that that is really the gist of the problem. I think that that is what we've got to address. As a member of this industry, I am very pleased to urge the passage of S. 2160.

Senator STEVENS. Thank you, Mr. Langley.

Bob.

STATEMENT OF BOB GILL, EXECUTIVE DIRECTOR OF THE BOSTON FISHERIES ASSOCIATION

Mr. GILL. As the sign says, my name is Robert Gill. I am executive director of the Boston Fisheries Association. We represent 31 seafood processors and dealers. Prior to this position I was recently president of a fish processing company that sold fresh and frozen seafood to supermarkets, hotels, restaurants, clubs, hospitals, colleges in every U.S. State except Hawaii. I believe the concept of S. 2160 is well founded and could benefit the seafood industry. I agree with the bill's premise that due to the small, independent nature of the fishing industry and its regional diversifications no one or even a group of companies could financially afford to effect a generic fish marketing program. However, I would like to make a couple of suggestions to improve the bill as follows.

There are four segments to the seafood distribution chain, as I see it. The harvester or fisherman, the processor, retailer, who is a supermarket or a restauranteur, and the consumer. In many cases there is also a food service distributor, who buys fish in bulk and sells and delivers it to their individual restaurant or hotel account, along with their shipments of groceries, foods, meats, and so forth. Any program developed, must be effective to the final consumer. It is not enough to have fish on display in a supermarket or on a restaurant menu. The ultimate consumer must be motivated to buy it or order it. I suggest that supermarkets, food service, and restaurant operators have the expertise and experience in motivating the supermarket shopper and the restaurant patron to make the decision to buy and finally consume the product. Supermarket operators especially have experience with marketing their food products through newspapers, television, and radio medias. I suspect this last segment of the marketing chain for the reasons mentioned might, in many cases, be more effective as voting members of the Council. Therefore, I recommend that some number of representatives from the supermarket, food service, and the restaurant industry be specifically specified to be voting members.

I feel that there should be no refunds available except for errors or no assessments. I think it is unfair to have some pay and others not. But if we are going to have assessments, I recommend that they not be due and payable at yearend or even semiannually. Any refund allowable should be payable within 60 days, rather than at the end of the year. It is unfair to withhold a refund for 51 weeks

on a refund valid from the first week of the year. Likewise, a refund during the last week of the year would be difficult to pay by the end of that calendar year.

I also recommend that after the bill has been finally drawn up, and it does contain assessments, it be voted on by the industry, before assessments are made, rather than wait several years until January 1, 1990, to take a vote. It is theoretically possible the industry will not be sufficiently enthusiastic about paying the assessment to approve the bill and thereby be stuck with paying the assessment for several years against their will.

I further recommend that the bill specify that all products, or all end products, made from the seafood that are assessed, be promoted under the proposed program. For example, importers of fish blocks that are fabricated into precooked fish sticks should receive their share of the promotion, otherwise it is not fair to assess a company and then not promote its products.

Also, since the Northeast region represented 25 percent of the value of U.S. seafood landings and 55 percent of the seafood imports in 1983, I recommend the addition of one more voting member to the Council from the Northeast region for a total of four or 26.6 percent of the voting members.

I would suggest deducting one from Alaska to give them a total of two or 13.3 percent of the voting members in order to make the representation more equitable. I endorse passage of this bill if these recommendations are incorporated.

Senator STEVENS. Thank you very much. I know it's worthwhile to come to these things, because we heard a lot of suggestions that make a lot of sense. I have got to tell you, I think the Council would probably put most of the suggestions into effect, if I know how councils work, since they would be made up of people with backgrounds similar to yours. I hope we can get some questions and answers going here, not only just to me, but to one another. People that are here. The funny thing is when we first started this off, this was going to be a national board made up of representatives from the foundations; did you know that? And the overwhelming cry from the industry was, no, no, those people are overworked now. You're just going to give them another job. We ought to have a national board like the Marketing Council. Though it's one of those things that happened, I don't know whether you were part of the people making those comments or not, Lucy.

Ms. SLCAN. I wasn't even part of that process.

Senator STEVENS. That was a cry that came in. We did ask you, Lucy.

The problem I have about some of these suggestions is that, and as I say they're very good, I have some real problem about imports. Let me just say some things that might make you just ask some questions.

Because of the import level into the New England region, you have a contribution assessments level that is going to be large. But the end result, I hope, ultimately, is to level off those imports and have them only there when they're essential to meet needs. As I understand it, we can't put a higher level of assessment on the imports. Yet I see Alaska pollack come around to Mrs. Paul's. I'm sure you know that. Those are imports. They are caught literally

within spitting distance of the Aleutian chain but they come around here as imports. They are intersecting your economy now. If we're successful, that flow of fish is going to start going into the midwest, we believe. And some of those imports are going to be cut off. But I think that the problem of accommodating your first suggestion about the assessments is to look at the level of landings. I would give some benefit to the refund if we're going to refund to regions based on landings. But I would not give the benefit to a region based upon imports. Because that can change so violently anyway. I'd like to have your comments on that.

We have a situation I'm belaboring, I guess. We went to a great deal of trouble to find Castelli and track down what he did and, do you know, I have yet to see any advertising anywhere, from the industry, that indicates the results of Dr. White's Foundation of Framingham Institute as far as heart disease is concerned. And if there is any one single item in the United States that is the real motivating factor of today, in diet, it's health. And, we have not talked about fish being beneficial to your health. Maybe you are right, maybe we should start talking about marine meat, or something else. We've got to get together on this because I agree we shouldn't be talking about Alaskan crab, there isn't any left anyhow. But we should not harm an area's ability to use its foundation and to use its marketing and I think we ought to find some way to enhance the marketing efforts in each region for a species of that region; those are good suggestions.

Mr. Allen, and we're first name people, Richard, I hope you don't mind, we don't see this harm that you see from the prospect of developing underdeveloped species. When I was in the State legislature of Alaska, we got $40,000 to hire a trawler to go look to see what species there really were around Kodiak. We really didn't even know. That is only 20 years ago. And they found scallops and you lost your New Bedford scallop fleet over that. I don't know if you know that, but they moved around there. The size of those things were just staggering. All I'm saying is that someone's got to start with an idea somewhere, and I bet we don't even know what you've got out here in terms of underdeveloped, underutilized species. And I don't see any harm that can come to an existing industry by the development of an additional level of harvesting to bring in another species. That bothered me that you think that there might be a harm there. Maybe you could help me understand a little bit more about those conflicts. We have conflicts, we have them with each other, we have them with the Russians, we have them with the Taiwanese, and the Koreans, and God knows who else is out there off Alaska now, but I never heard any of our fishermen say, "don't go after the squid, or don't go after the cod, or don't go after the pollack, the sole," or all of these new things that we're going after. Each new level of production is assisting the industry overall. I think that would be the same thing here.

Bill Phillips reminds me, we do understand your conflicts. They are acute, but this Council, of course, would have nothing to do with that. I hope your regional council is a little more successful than ours in dealing with it. And I understand Mr. Arnold's comments about the amount of time. We had one young fellow who was on our regional Council who just literally had to stop or face a

divorce. He was fishing, and he was on the council and he was on something else that brought him back to Washington once in a while. And he had a growing family and his wife was just getting mad at him, he was putting in so much time. That is another reason we went to a separate council, rather than utilizing those foundations. We can go back to the foundation if that is more acceptable. The reason we're here is that your area is going to decide whether this bill ever passes. We have worked out, basically I think, the problems with the other regions. We still have some problems, but we don't have the firm opposition expressed from other areas that we have here. Lucy personifies that. She does very well there. I'm not picking on you, you know that, because we worked together for years. But I do think, if there are any questions about what we're trying to do, they should be answered. I was surprised, Mr. Costakes, about your comment that agriculture is giving an imported product a U.S. label.

Mr. COSTAKES. Commerce is.

Senator STEVENS. Commerce; Commerce is. We'll see about stopping that. You learn things when you get out on the trail. I never knew that. And that ought to be stopped. I'm certain we can get some assistance on that. Imported fish, ought to be imported fish, no matter what. It's just got to be. In my travels I always look for fishing plants. Bill can tell you something about these too. I've seen them in the Orient and, I've seen them even in Portugal and other places, and none of them could withstand the first visit of the FDA. And they ought to be so labeled. Those are not subject to our sanitation or overall antipollution control concept. Maybe you all have some comments or questions of one another or of me. I would say Mr. Langley, I also understand this business about the big producers. If I understand right, Campbell's Soup now owns Mrs. Paul's anyway and we're going to see, I think, as soon as the current merger fever of the oil industry calms down, we're going to see some merger fever elsewhere, because of the problems of national marketing. McDonald's has shown what it really means to market. Mr. Berkowitz, you mentioned that no one markets like McDonald's does in terms of their hamburgers. Let me close by just saying this one thing.

I had a lady in my office the other day and she was from Oregon, and she said that they are from a fishing town and they got disturbed because their kids wouldn't eat the fish on the school lunch program. And so the mother went down to take a look at it and she said she wouldn't eat it either. What they did was, in order to make their point to the school board, a group of them volunteered to talk their husbands out of some of their product, they were catching halibut. The ladies properly skinned, prepared, and poached halibut, once a week for 2 or 3 weeks and the kids were demanding it. Wanted to know what happened to it; where was it? They wanted it more than anything they had had on the menu. And the whole thing was preparation, packaging, freshness, and that is what is involved in this. I think that this Council has got to find some way to encourage that, if we can get a council going. What is it going to take, Richard, if I can be personal, what is it going to take to get your people to support a concept of, should we

call it an advertising council, would that be more acceptable to you?

Mr. ALLEN. I think one of the things that is going to take is some more time to discuss this. As I said this is not an issue that the industry, at least the harvesters, have been talking about. If you went around and asked the fishermen, what do they think about this idea and this legislation they would say, what legislation, what idea? This is the first we heard about it. And a taxing program, to me, is just such a big step when you talk about taxing people and auditing their books and making them pay money. You really are talking about doing something that needs to have a fair amount of discussion before you get into it. And just on the issue of competition, I think very recently we have seen quite a bit about Mr. Nanfelts' projects and he has, evidently, taken some equipment and dismantled the plant that he intended to put in New Bedford and is moving it out to Alaska. And I think he was recently quoted as to what the products were going to cost him, the volumes are available and how he was going to be competing in the marketplace with these products. Very fair. I mean, you have a New England marketer and processor, who is saying that he's going to compete with the product, so-called underutilized species from another region in the same basic marketplace that the traditional products is.

Senator STEVENS. He's going after our version of sole, as I recall.

Mr. ALLEN. So you kind of compete with our yellowtail flounder and our blackback flounder and the prices are just—there has to be an equalization, if they're going to the same market and we're at a certain price level and this comes in a lot lower.

Senator STEVENS. When he starts shipping at 8 cents a pound to get to the west coast, I don't know how much more it would take to get to the east coast. He's going to find, and you are going to find, he's going to displace the Canadian product much more than he would yours.

But, again, that is an underutilized species in our waters, no one has ever been interested in it before. And, there is an insatiable market for it on the west coast. You all are spoiled here. I went to school up here you know, and you are spoiled with the good sole and good, traditionally prepared fish. The west coast had not had that, and I think that, I don't think you will find any problem. I'm not saying where he's going to market it. I've always taken the position that increased production of domestic fish, harvested fish, and processed fish, is to the benefit of everybody. Last year we increased our consumption by 8 percent. The domestic production fell 8 percent. There is a 16-percent gap in that figure. Being a fisherman, and I know a lot of fishermen, including a son that is one, I think I told you last time I was up here, that's a process that's got to stop or there isn't much future for the new people coming into this business.

Mr. ALLEN. But I don't see the answer to that problem. If we increased the consumption, why did the production fall; how would marketing have kept the production from falling?

Senator STEVENS. Most of that fish that came back in was fish that was caught in U.S. waters by foreign fishing fleets, in my judgment.

Mr. ALLEN. How will this program shift us from imported products to domestic products?

Senator STEVENS. I think as we get to the awareness of the health aspect of fish we're going to be able to restore the price structure of fish. If there is a demand for fish, if people walk in to get it, prices will rise. As Mr. Berkowitz says, if he's advertising his fish I'll bet, by God, if he's advertising what he says he is, he's also getting a better price for it now. And that's been our experience in terms of the Alaska advertising. You have seen our Alaska advertising. We are doing it as a State. Just for Alaska seafood, it doesn't say anything but just Alaska seafood. In my opinion, we have the ability to meet our own needs. Do you all know that Alaska fishermen in one sector of our State voluntarily assess themselves a cent a pound, and created several aquaculture projects and have expanded their own harvest by a factor of at least 10. That was self imposed tax. They built the farms, they put up the project and increased the natural production of fish in their area. And down in the Southeast now, a fellow told me yesterday, that they are going to start using catfish for surimi. They figure they can expand the production of catfish without limit, in ponds that they literally are going to grow on farms, fish farms. I think, my answer to you is that if there were awareness of the need for fish in our diet, and we could increase it, just to change that meat to fish consumption figure so that it was even a 3-to-1 ratio, the demand for fish will be so great that your area has got to benefit just like everyone else.

Mr. GILL. Isn't it a fact that we're going to be faced with more fish being brought down from Canada; and more fish being brought into this country from Alaska? Just the reason we need this bill.

Senator STEVENS. That is what I said before, Mr. Gill. I've said it at home, and my fishermen at home said that if you realize that, why in hell don't you stay home? So we're expanding our production and our market is going nationwide. We're going to market nationwide, in any event. But the problem is that the stability of those markets demands the same kind of marketing that the agricultural industry has. I agree with that, with Mr. Conrad. I always believed that the greatest mistake we made was splitting our fishing from the Agriculture Department. Not for the support programs, don't misunderstand me. No one is ever going to pay people not to fish. I don't think we should pay for farmers to not produce, either. But the real difference was in the marketing strength of the Agriculture Department as far as the products that they handled. When fisheries was moved around the way it was, I was in the Department of the Interior, and Commercial Fisheries was there then. It had been moved over to Interior sometime during the thirties, and in the fifties we moved it over to Commerce, and the fisheries agencies have just been sort of the subchild to the Federal Government because Agriculture doesn't want it. They don't want it. They don't want that conflict within their own department, that is going to come, that is bound to come between the agriculture and domestic animals, you know, beef and pork, et cetera, and fish.

Mr. PHILLIPS. I might, if I can Richard, address one of your questions—and this cuts both ways. I'm sure that on the importers side the bill is going to raise some hackles. That's where, perhaps, the

bill is a little subtle, because there isn't a report to go along with it to tell you what some of the terms mean, and to define the terms, and we'll go back and do that. The way the bill is drafted, you will notice that when ever it talks about promoting or developing or planning, it talks about U.S. fish product. That is, product caught and processed in the United States. And the program, the bill may be a little bit subtle in the way that it describes it, is intended to assess from importers and producers. You promote domestic products only. And the rationale for assessing importers at all is that through promotion efforts, even those focused on domestic product, importers are going to get some benefit. And they should pay some part of the freight anyway. But the emphasis, the focus, the direction, is going to be on U.S. products only.

Senator STEVENS. If we ever assess them, they have an additional advantage anyway, they will have to pay the same amount.

Mr. ALLEN. I'm just wondering, because it seems like the focus is the major opposition from the fisherman, and understandably so. Again, the assessment proposes a refund, and I kind of pose a question. If, just an if, if the bill didn't require a taxation on the harvesters, not on the fishermen, what would the position be? How much, you know, what is the opposition?

Senator STEVENS. Dick, first hand, was down there.

Mr. MIRARCHI. I'd like to say one thing about the tax assessment. I don't see it as a tax. I see it as an opportunity to invest in something which is going to enhance my business. I have no objection to it. I would welcome the opportunity to buy into a small share of a national marketing campaign, something I couldn't possibly do myself. Yes. Yet for in the order of $400 or $500 a year, which is what it's going to cost me at the rate of the 2 mils, I can buy for a fraction of a thousand, millions of dollars' worth of advertising. Even if they added 1 or 2 percent to my sales volume I more than recoup whether or not the cost was up front for the assessment. I have no problem at all with being assessed. I think it's a worthwhile investment.

Senator STEVENS. I have Mr. Arnold next and Mr. Salisbury.

Incidentally, you mentioned that value added, at least a value to the various levels of industry, approach to assessment, which is interesting. I never thought about that. What is your comment?

Mr. ARNOLD. Well, pretty much just what Frank said. He just got his hand up first. But I always felt that we don't do anything as fishermen to sell our product. And I've looked at other industries where they have various contributions that come from the producers and also I look at some things that have happened in other places, and we don't do anything to sell. We're in the—we don't have a way to contribute to a sales campaign. I have felt that the bits and pieces of money that we have been able to weedle out of the S-K program have been totally inadequate, and we're so concerned with some continuity in this process, and we say, well, if we're lucky we'll get a couple hundred thousand dollars from the marketing program here. No new edge from S-K this year but maybe next year. We have got nothing. So with this kind of a sword hanging over our heads it's going to affect our ability to do anything meaningful.

I do have a concern about this taxing program and I would like as much assurance as possible that it will be insulated for all time in the future from any invasion from any other agency.

Senator STEVENS. You are absolutely right. We have to find a way that it is not even considered backdoor financing. Once it starts it is association assessment and not a Federal plum.

Jim.

Mr. SALISBURY. I think there is a little confusion, or at least there is in my mind, about some things we're talking about, because I don't object to marketing. I think it could be terrifically effective. Mr. Berkowitz is a prime example of that. The problem is, in one breath, we're talking about a selective marketing, a marketing where it's designed to give us a benefit that we measure, or, in his case, he measures. But, on the other hand, and I'm broadly speaking, what the bill is addressing is generic marketing, a very different kind of marketing that we get a very nebulous benefit out of. I think we ought to make that clear distinction because I don't have any objection to selective marketing as a result of our comments about the bill if you regionalize it and specify it enough. We start getting rewards back of their tax or, as Frank says, our investment in it, that is fine, but what is happening in the way the bill is designed now, I kind of look at it as you live in a room in my house and you are asking me to build you a house so you can move out of my room. What I'd rather have, if I'm going to spend some money, build myself another room and if you have to stay there, go ahead, but at least I get more benefit out of it.

Senator STEVENS. Well, you know, if you believe this we're already doing it. If you talk about my house, we're spending more as a State than any foundation. Let me say one thing; I don't have any problem about the regional concept for species advertising and I think that an adjunct to a good advertising scheme eventually has got to emphasize species. Certainly, there has to be money going for the regions to assure that there is balance on that for species, but generic marketing, the advantages of eating seafood per se is important. Let's just say that for the first year or 2 years or 3 years we just said this Council is established for the purpose of demonstrating to the American public the health advantages of eating seafood, just that one thing. It should be a lot more, but just that one thing alone, would you have any problem with that?

Mr. SALISBURY. That is the beginning of building your house.

Senator STEVENS. Doesn't it build your house, too?

Mr. SALISBURY No; this is what I think Dick and some of us are saying, that it can generate a fair amount of activity over the less utilized species. It can develop those markets, but that isn't going to necessarily make us any better off. But everybody else is talking about very direct benefits. Let's spend some money as an investment in a return, but that is really not what I think he's going to get out of this.

Senator STEVENS. My answer to you is, in Alaska when we really feel we're living high on the hog what we do, we get someone to fly down to get lobsters.

Mr. SALISBURY. Lobsters.

Senator STEVENS. And I'll bet somebody here might fly in some crab. But what I'm saying, you don't market to us today, you

market to yourself. You know you've got a product that probably ought to sell for a lot more as far as we're concerned. We would pay a lot more for it. I was a U.S. attorney, and I used to fly to Washington for those meetings, and I would take a basketful of lobsters that were still alive and tuck them on top of seaweed and carry them back on the plane. The stewardesses really loved me, but I took back lobsters because I knew what they meant. A lot of the people had never tasted lobsters. The national aspect of the business really isn't there. You guys sell to New England. I'm not picking a fight with you, but you really do. You've got a product that is worth a lot more out in my country than you get for it here.

Mr. ALLEN. So we don't need the market out there. We need the people who are willing to do the job to get it there.

Senator STEVENS. You need the product there because there are not too many people in Alaska that went to Harvard Law School. I know what the hell they're like and I take it back there whenever I can.

Mr. ALLEN. What Mr. Berkowitz said was in St. Louis those people want him to send the products. They don't need anybody to teach them how good it is, and they need somebody to get the products out there. You talk to people all over. I can only get little necks in Pennsylvania. Boy, if I could only get lobsters here, boy, we'd make a killing. You hear about people traveling the land there, but if the market is in the business, that are either comfortable enough or not active enough, I've seen it. We've seen the same type of thing. I've seen joint ventures.

Senator STEVENS. Let me, I dont want to be facetious, and I hope nobody gets offended, but I wonder what would happen if the Pope would say we're going back to eating fish on Friday?

Mr. SALISBURY. I wish he would.

Senator STEVENS. Let me tell you, it wouldn't change your demand at all. But the impact of advertising will change your demand. You may not believe that, but it won't change your demand. Because there would be a reaction against it from the non-Catholic portion of the public and also from the Catholic portion of the public itself, because people don't like to be told what they have got to eat. And what we have to do is make them want to eat more fish. I think that generic advertising is the way to do this, maybe we should call it the National Advertising Council rather than the National Marketing Council, although I think marketing has got a lot more to do with it.

Mr. GUIMOND. Well, Dick just used a perfect example with George, and that is marketing. At a very small scale, individually or collectively, fine. But what was it that made people want to buy that product in St. Louis is because they were made aware of it. That is all. They were made aware of it. Nothing else. And that is marketing. Making people aware of it. Pure and simple.

Senator STEVENS. And then getting it there.

Mr. GUIMOND. Let me tell you something, you will sell whatever people want to buy. And you will get the price that people feel they are willing to pay for the value that they get. And if I want wholesome and fresh, as he demonstrated, that is worth some extra money, and it isn't—the biggest thing is that survey. We haven't even taken advantage of it. Do just that, just that one aspect of it.

Do no other advertising other than that health aspect. Change no production levels. Current stuff and your price of products is going to go up because people are going to want it and the phone is going to ring. And the phone is going to say, "I want your product out there." Pure and simple. You are not in the marketplace, Dick, and you got to understand. I didn't understand it and I still don't understand it totally, but I do know one thing; if you make people aware of something and they see a value, whether it's nutrition or whatever, they start buying and they start buying it, and they will go hand in hand and ask the grocer, "What about this kind of product?" That is all you are talking about is making people aware of it.

Senator STEVENS. Let me change the subject because I think everyone's got to go back home and I have got to fly back to Washington.

We had some discussion and that is why I've been sending notes back and forth to Bill about the whole question of the refundability of this assessment. And Ken really asked it bluntly. Does the assessment have to be refundable? I mean it's the refundability that causes most problems in terms of assessment. But why have a refundability law? I'll ask the question, Why was that a thought? I really don't know the answer to that. Why did people think a refund was worthwhile?

I think it came from the agriculture marketing concept because of the way they're doing it. We started with the three most recent boards. For example, the Mutton Board, and I've forgotten which else. We took those bills and sat down with them and, laterally, for the first drafts we took the mutton out and put fish in and started from that framework.

I think the suggestion you all made about a cut, putting a cap on assessments is very valid, and it would seem to me that the assessment should not be refundable in an industry like this, that rather, the level of assessment for coming years could be very much easier to determine without refunds than if you go through all refunding procedures. The refunding process itself is going to cost a hell of a lot of money. It would be much better to administer the Council in an organization like this.

Yes, sir.

Mr. ARNOLD. Can I ask one question about the $100,000 level at which that is established. Once somebody hits that, for example, they are assessed on dollar one, but until they are at $100,000 they get no assessment. Now, suppose I'm doing a business of $300,000 or $400,000 or $500,000 and I see this coming along so I say, well, gee, instead of being all coast fishery I'll be east coast fishery and west coast fishery and south coast fishery and north coast fishery, so I'll be doing $99,000 worth of business. That seems to me to be a good thing.

Senator STEVENS. Then your corporation fees and individual taxes will offset it because of the minimum taxes.

Mr. ALLEN. We tried to do that every day from a business point of view and it doesn't work.

Senator STEVENS. On your first level, for the first $25,000 of increase, you pay a certain fee and if you want to organize five differ-

ent corporations instead of one, you are going to pay five of those fees.

Mr. ALLEN. Excuse me, may I say just one thing? I've been listening to what we have been saying in the last couple of hours here. One thing we're kind of missing is the fact that when you look at the harvesters and processors that are doing the marketing, and so on and so forth, you have to bear in mind that we're in this thing together. A fisherman's responsibility shouldn't really stop when that fish is on the dock any more than a processor or marketer responsibility should stop when that fresh fish is delivered to supermarket chains. It really has to go beyond that, and if it doesn't go beyond that then this industry is going nowhere fast. I think that is what this marketing is all about. You know, it's funny, when the Canadian Government spent whatever money they spent on coming out with the Kirby Commission report back about a year or so ago one of the things that they looked into was the concept of do we have a marketing problem? And if we do not have a marketing problem what kind of problem do we have? If it is a marketing problem then maybe we ought to get rid of all the people that are doing the marketing right now and come up with something new, something different. Well, maybe we'll just come up with one best-selling approach instead of having national seafood fishing product and fishery products and lake group we'll just come with one big super company and call it the Canadian Fish Co. and we'll do it that way. Basically, the findings in the report, and after a period of almost 2 years of research was that the Canadian Government stated, if you read the report, "We don't have a marketing problem. We think our marketing people are not doing such a bad job. What we have is consumption problem," and that is exactly and precisely what we have here. I tell you something, the Canadian, TAC in cod in 2 years time will be 750,000 metric tons. That's a lot of fish, and I'll tell you something, they're not going to stop producing. Even if they still have the currency problems that they're facing and that we're facing, exporters that we're trying to do business overseas, whether it's in Europe or South America or the Middle East or whatever, the people are still going to catch this fish. It's got to be sold somewhere. I think if the consuming public realizes today that it's nutritional, that it's, you know, from a culinary aspect, we've got a heck of a product; you can bake it; you can broil it; you can boil; you can poach; you can do anything with it. You can add all types of sauces; you can be very creative with seafood. The only problem is when the American consumer goes out they generally—lots of times today's consumers go out to restaurants and are buying seafood, and the reason they do it is because they are a little bit leery of doing it at home. The housewife is concerned, "My house, after I cook seafood, smells." They know if they cook a steak or poultry and she gets a call from Aunt Mary and she's on the phone and she overcooks her family is not going to come home and say, "Gee, mom, let's go out to dinner." She knows that it's a little bit more forgiving than seafood. We've all cooked seafood, I hope, and we know that. You know with seafood you have to—you need a little TLC, and this is all part of the process that this bill presents. It's marketing; it's education; it's lots of things. It's going to mean that we're going to be able to, hopefully,

move that per capita consumption rate up, but there is still going to be plenty of problems within the industry. I'm going to have problems. Everybody in this room is going to have problems. But if we can start to get this consuming thing resolved we're going to be well on our way, I think, to the fact that in 5 or 10 years time if we have a meeting like this we're all going to be here because if we don't in 5 years time a lot of us won't be in this industry, we'll be gone.

Senator STEVENS. Mr. Berkowitz.

Mr. BERKOWITZ. Well, those are potent statements. Let me tell you what we did a short time ago. We decided not to market a specific type of fish. We decided to market what we sold, freshness. And we went out and we have a slogan, that seafood comes first and the consumer comes second. Everywhere you go the customer comes first and what they came to realize with our advertising was that the fish comes first, and without good fish we don't have customers. Interestingly enough, the fishermen can appreciate this. That week, the first week we had sold 10,000 pounds of fish more than the week prior to that. Advertising. Now, if this is multiplied by people in my end of the business you know what it does to the fishermen. The demand is raised, the price goes up, so everybody is rewarded. Now, this is direct and we did it. We controlled the experiment so we know the results of it. I think it was very difficult for the fishermen to really comprehend exactly what happens with this advertising campaign. If you create this market and it pulls people into my store to buy fish, or into my restaurant to eat fish, I have to go back down to the pier that following day and buy that much extra fish.

Senator STEVENS. Mr. Costakes.

Mr. COSTAKES. With some men today it seems to me that they seem to feel that the Canadians have done such a great marketing job. Well, I don't know if they have done any marketing. The only thing they sold is price. It's very important to understand that. Only because, you know, it puts into marketing when you go in the hole for $100 million I say I need $100 million and I didn't conduct my business right, but that is OK, I'm selling cheap fish to the United States. I mean, this has been going on for years. The revolt may be there, and I'm not from Missouri but I have to see it to believe it, because I don't think that is going to change one iota. I don't think that is going to change at all. Because the social structure that is up and down, you are going to still have to live with it as far as marketing goes, and I'm just saying this because I'm a little emotional about it. We in New Bedford, for instance, the fishermen have been paying for marketing programs for over 25 years out of their own pockets. We have asked the processors time and time again to be part of it, to contribute to it. Not one move, not one iota. As a matter of fact I'm going to a luncheon tomorrow for 350 people and I had to get on my hand and knees to get a few pieces of fish to use for this luncheon, and so I got mixed emotions about how much these processors are going to cooperate with us. I have to see it to believe it, and that is where I think a lot of the fishermen are very concerned. They don't mind paying the freight. They don't want reimbursement. As I'm concerned if I want to pay into funds, if this thing is going to work it's going to work by every-

body paying their fair share into it, and if it's two tenths of 1 percent it doesn't mean a hill of beans to a processor or anybody. But if this is good, if this is going to be once at the end of the year, I tell you you are going to need 10 people to administer these funds at the end of the year when all the processors start to ask for their money.

Mr. CONRAD. I've pretty much stayed out of the conversation talking about fresh fish. I'm not in the fresh fish business but I'm in the canned fish business, and now that you are talking about marketing I will just add my 2 cents.

I do think that we do a lot of advertising as far as our canned products are concerned, and generic sardines are a funny thing when you talk about trying to merchandise something. And generic advertising is obviously a key with us. We spend some money to promote our label, a few hundred thousand dollars. You have all seen the Bill Rogers commercial where the Norwegians come up here and run up and down and certify how great their sardines were. Our sales went up along with the Norwegians. In fact, we gained a little bit on them. We're just as good as they are tastewise, and we're a little cleaner, so why don't you buy ours. But I think you will find about one half of the established fisheries and the underdeveloped fisheries, you get an increase in price and underdeveloped fisheries increased in volume. That is what happens. It's a very—this is what happens. The total demand for fish goes up and a person that says, hey, you know, I'm reminded generically I'm going to eat fish because it's good for me, or whatever, they still lean towards an established fish they have been eating all their lives, one that they don't have to experiment in taste. So there is a lot of those people that go ahead and say "I'll pay a few more cents to get that" because the demand has gone up, and those that want to take a chance, and cost is important to them, they eat the underdeveloped fish.

Senator STEVENS. You really did take advantage of health news in connection with that. I forget what substance that is in them. A substance in sardines strangely enough also comes in minute quantities in lentils. I don't know if you know that. There is a substance in sardines that is very much associated, they tell us, with food that the brain requires. And I saw that thing Rogers was all aimed toward it was very good.

Mr. CONRAD. I want to talk to you more about your health. I've spent 20 years.

Senator STEVENS. I think that is where it is, I'll tell you. Of course you know I'm getting to be a health nut on that. I'm getting a little old and I've got a new family. I want to be around when the kids start going to school. I'm going to start eating that fish myself.

Yes, sir, back there, there is a gentleman back there.

Mr. RODMAN. My name is Rodman. It's been very interesting for me to listen to this conversation tonight. As a native Icelander I have been brought up with the Marketing Council for all different species. I've been living in Canada for 6½ years and see that the marketing there with my friends, that New Bedford mentioned. Also I have been for less than 1 year living in the United States and also had opportunities to spend recently a lot of time in Alaska. Only what I believe inside, to heard what some people look

at Alaska supports the country, because I, 3 months altogether now, Alaska is definitely part of the United States and so on.

Senator STEVENS. I didn't hire him.

Mr. RODMAN. I feel, myself, I like to take only a few minutes to tell you about their marketing. What marketing comes to the marketing organization means. I feel I can be prouder to say at that time Icelandic products in the United States and the top wonderful products that is not so lower than any other products, but for example 5 pounds sold for, a long time for $1 a pound, and Canada got $1.25. That is what I believe in what good marketing can do. Home For Seafood Corp. was the largest of this group. Organization Product started in the United States 1944. They, before that date, they, the Canadians, can do it, we can do it ourselves. We can do this marketing if we work together. And cut each other throats it moves out because somebody gets the same price as we do. They found out after landing of the bad shipments in the United States and to Europe that this was not working out. This was too costly. One company went into receivership because they couldn't take their loss. Couldn't take the loss. So they start to work together, small groups was larger, larger, and now each salt fish, stock fish, herring for the fresh English marketing, for marketing organizations. What does that mean to them? That they are a strong fish industry, of course on, 75, 80 percent of the expert, not his problem. 230,000 people living in Iceland. But keep this thing. This has been proved now that people say, "What do you think about this marketing organization and Council?" Not a single Icelander, not a fisherman, a processor say this is the best that ever happened to Iceland. Why, because you understand, he understands each other's problems, and I think what I've seen here on the States for a number of years because I came here first in 1967. That what is missing here is meetings that we have here tonight, that along this sector. As a result industry should come together and listen to each others problems and I, because of my previous experience in marketing since I was a small boy growing up as far away as Iceland, and is know what is answer been here, when everybody knows about it, this in room, definitely. I believe what is missing is teamwork, that the people or not over in New England, and Alaska, that goes both States, work together and say, "No, we United States fish industry. We competing with Holland, Norway, Canada." That is our way. Not competing with ourselves and fighting against minor things, where I feel we are fighting about it tonight. I feel that this is the type of marketing council it is. I think also what is what that we don't mention tonight is quality control part of this thing. If the marketing council, or market organization, we can standardize consistency in quality and we can bring up the American fish products level where we can compete with the quality, because if they—if we like to get a higher price for our quality for our products we must bring up the quality consistency. That is one of the major things for the Canadian fish industry is consistency. They can bring down price. They can do everything but they're still losing money. They're still asking, the Canadian company, "Help us out. Buy us out. Bail us out," every single year. I feel that experience I've seen less than a year only on the east coast. I feel that to ask what are we doing and what my company doing; why

we going to try this thing over in Alaska. It's not to compete with our land, New Bedford, that is to try to feed the marketplace where we are able to get material here on the east coast and United States. That was the reason for it, is the reason for the problems that we have seen already in Alaska, but fish sources are there, and we must market this product. A lot of the new species over there We have the same problem Iceland too. We had squid and we never know what to do with that. Certainly fish was big business in Japan because they're buying it because of same thing. Why that happen, because of the market. We sold these things, one big room. That was the reason Japanese market got interested, because of the quality. One small producer or company can never get their price structure with a big sales organization or marketing board can receive in the marketplace. And I thought because of my advantages maybe most of the people, I have been living in three different countries, I've seen these advantages and disadvantages for my experience to make a comparison, because a member of the Canadian, Iceland Fish Industry where I know pretty well we can see the difference there because of one is well organized marketing. Is that all industry and all they have is individual comany competing with each other, and now the government is trying to do this thing. I believe in the beginning when Iceland start with, touched on the export product, now 5.5 percent over the total volume, they are talking about it now to raise it to 8½ percent. Nobody saying a word about this thing and big part of this thing appearing used for marketing helping out. The prices are going down in marketplace. Nobody's talking about it these days. Of course the fishermen says this is greater it's more things. But the key thing, everybody has to understand now, the export industry is doing this thing in spite of the people different opinion, and everybody, maybe 10 years from now, want it. This was the best thing that ever happened to the U.S. fish industry, that finally we were sitting all around the table and work these things out. I——

Senator STEVENS. I wish we had a chance to do it for the whole country. I'm afraid we can't. It's hard to do. I appreciate your comment. We have Ken and then you, and I think we ought to wind this up. I didn't mean to cut you off but we're ready to wind it up.

Mr. COONS. We are. I think, reaching a good deal of consensus. I have one comment, which a number of people made, that I don't want to lose sight of. There is interest in a two tier program which has a national component, but which also has a regional component and I feel there should be some response from you, Senator, in regards to how you feel about that. There are a number of people who have raised that question.

Senator STEVENS. Well, as I said, I think it makes sense and we thought we had that in the first instance when we made this Council up from the foundations themselves. That Council would have a board on the national level. Maybe we'll have to go back and see whether the workload on the foundation is such that they could do it, but I think it makes a lot of sense.

Mr. COONS. I'm not so much making a plea for foundations as the vehicle as I am that there be a regional component in some form.

Senator STEVENS. As you probably know, Ken, we started with a foundation composed of boards. That was our initial concept. And

then there was a 20-percent, I can't remember the number right now, payback directly to the foundation, and maybe that can just be regionalized. We could toy around with the amount that would be paid back, but I think we have got to protect the regional aspect of expenditure to a certain extent. But, you know, if you really look at it, and I think again, Mr. Berkowitz has got the example that shows there are places in this country that eat no fish at all, it doesn't make much sense to spend money in Boston to ask people to eat fish, very frankly, or in Anchorage or in Kodiak. It makes sense to go out in the hinterlands where they're not consuming fish at all, selling fish generically, and it's going to be up to interested businesses to find ways to get it there. I agree with that. That is a private enterprise concept of the supply and demand, but I do think that you have got to be assured that a reasonable percentage of funds that come from an area are going to be spent in that area. Funds are going to be spent in that area on generic advertising. I hope that everyone will agree that the bulk of funds ought to be spent in the area where the market needs to be developed. It is a developing market concept.

Let me ask you something. I was just thinking, I shouldn't even ask it but I'll do it anyway. You know all those years I carried those lobsters back there they all then told me if one was dead I couldn't eat it. I was with someone the other day and, you know, the lobster was dead and he popped it into the pot and it was not bad. That shows you how an old myth, that whole idea that lobsters have to be alive if you want them, motivates consumer behavior.

Mr. GILL. I just alluded to it, we should not worry about the ability of the American transportation system to get seafood, fresh seafood anyplace in the United States where there is overnight delivery, there are reasonable prices, and there is a commercial airport. We have good truck delivery going to Boston, west through the major cities, Ohio, Detroit, Chicago, and so forth. I don't think that it is a problem to ship to anywhere in the United States that want fish.

You get the last comment, Mr. Phillips.

He knows more about this than I do.

Mr. PHILLIPS. I want to just go through a couple of things because we have agonized through this thing conceptually for quite a while before we started putting pen to paper.

The basic reason for drafting this bill was the shocking realization that beef consuming, meat consuming, in this country is 10 times what fish is despite the fact that we've known for some period of time that fish is healthy for you. We're beginning to confirm a lot more just how healthy fish is. And I go back to some experience I have had. Before I came here I was a banker and I'll never forget an experience I had. I probably shouldn't admit this in front of you guys because you probably think about as much of a banker as the fishermen who came to me, which isn't a hell of a lot.

There are lots of guys who got turned down for loans, and the first thing you learn as a banker, you learn how to say no, because that is just the way the business is. There are a lot of people who have made money that I turned down for loans. But I will never

forget a loan I made to a guy who is now real leader in the industry in Alaska. He had gone to Milwaukee and gotten a contract. The guy didn't even have a boat at the time. He wasn't even a processor. He had never processed. He went to Milwaukee and he got a contract to sell 100,000 dollars' worth of salmon. He just got a contract to sell salmon at a certain quality grade, and came back to me and said, "I want to finance this, to charter a boat and to work with the processor here to get some financing to get the product processed." And all he had was this piece of paper. I got the loan through my central office and a tough loan board. This concept of the demand pull really works. I wanted something that was bankable, and it's tangible. The basic assumption that we started with in this bill is you can pull demand. If you can create demand, you will pull the market with it. You will pull the product right through the system. I'm learning more about the situation here in New England. You have the model of the fresh fish market, the model of the free enterprise, and it's something we don't have in Alaska. We set the price for the fishermen on an annual basis in Alaska. Here you have a daily posted price, directed by supply and demand. It's the perfect theory of the way the market works. And pulling products through and increasing the demand is going to directly affect the price to the boats. I'm told that the daily price fluctuation can be 20 percent,and it depends on what was bought by people like Mr. Berkowitz the day before. The way to get the price up is to have demand pull it through. That is the concept we started with, and that is the concept we leave you with.

Senator STEVENS. I want to thank you all for taking the time. It is a Friday night, and I know that you all sacrificed the time to come in and meet. We'll finish up the record and we're going to make some changes in this bill and send it back out again and take one last shot at seeing whether we want to try and get it moving this year. We don't have much time. We have got probably a window of 6 weeks to 8 weeks to decide whether this bill is going to move this year. If we don't move the bill in that time it will be next year before we get to it. But we'll still be around next year. I think that the House could fairly well follow our lead on this one, I really do. The fishing industry is such that, if the bill goes through the Senate it's going to go through the House, and vice-versa. It really does work that way. There are very few bills that we have that can get through one House if there is any substantial opposition. So if it gets to the Senate I think it could pass the House.

I appreciate your coming tonight.

[Whereupon, at 10:30 p.m., the hearing was adjourned.]

[The following information was subsequently received for the record:]

U.S. SENATE,
Washington, D.C., February 9, 1984.

Hon. ROBERT PACKWOOD,
Chairman Committee on Commerce, Science, and Transportationi SD-508, Washington, D.C.

DEAR BOB: Thank you for this opportunity to provide the Committee with our views on S. 2160, a bill that would establish a National Fisheries Marketing Council.

We do not believe that the New England Seafood industry would benefit substantially from the costs that the Marketing Council would impose upon it. Accordingly,

we question the advisability of establishing a National Fisheries Marketing Council at this time.

In our opinion, it should not be the function of the federal government to create market opportunities for America's diverse seafood industry. In fact, we question government's ability to effectively perform this function. The lack of any real success in previous government attempts to create new markets, or expand existing ones, supports these views.

Many domestic and overseas marketing opportunities exist today which offer great potential for the expansion of seafood sales for the domestic fishing industry. These opportunities can best be exploited, however, by the industry itself.

In New England, problems of consumer, retail, and food service education, along with barriers to foreign trade, are being addressed effectively by industry and progress is being made to overcome them. These problems are being met by a combination of aggressive industry efforts which have been generated by the potential for reasonable profit, ongoing government-supported and industry-operated trade groups and marketing projects, and the federal government's aggressive implementation of United States "fish and chips" policy. These factors, combined with legislation that has encouraged the development of export trading companies serving the fishing industry, give us reason to believe that the New England seafood industry is pursuing all available marketing opportunities.

More New England seafood is now being eaten by domestic and foreign consumers than ever before. Species such as squid, mackeral, butterfish, monkfish, ocean pout, cusk, shark, and skate, which were all at one time considered to be underutilized species in New England, are being marketed successfully both here and abroad. With the exceptions of red hake, which has great potential as a surimi product, and red crab, which is not yet economical to harvest and process, New England has no significant underutilized seafood species.

In our opinion, the marketing success that the New England seafood industry has experienced, and can be expected to continue to experience, results from marketing and seafood-education programs which have been regional and species-specific in their emphasis. Our understanding of the New England industry's experiences leads us to doubt that the creation of a centralized National Marketing Council, using a generic approach to selling seafood, would be sufficiently successful to justify its cost.

We are also concerned that the use of Saltonstall-Kennedy (S-K) funds to finance the Marketing Council during its early years would have a serious negative effect upon such groups as the New England Fisheries Development Foundation and the Rhode Island Seafood Council. These excellent organizations depend upon S-K money to partially finance their successful regional, species-specific marketing and seafood-education programs.

Furthermore, by requiring a 0.2 per cent assessment on the value of seafood sold by most United States harvesters to fund the Council beginning in 1986, the New England fisherman, who is now harvesting nearly all of the resource that is available to him as a high-value product, would be essentially subsidizing the Council's promotion of low-value underutilized seafood that is now being harvested by Northwest and Alaskan fishermen, some of which is already finding its way into New England seafood markets. The New England fisherman realizes that he must compete with North Pacific groundfish, but he should not be expected to subsidize the sale of that seafood at the same time.

The imposition of the proposed assessment would also have the effect of irritating the already difficult relationship that exists between many fish harvesters and fish processors across the country. By requiring processors to pay the assessment fee to the Marketing Council, and by then providing the processor with the opportunity to have the assessment returned to him at the end of the year, harvesters are placed in a situation where they can expect to fund the assessment from the ex-vessel price that they receive from the seafood that they sell while they are not given the same opportunity provided to processors—that is, the ability to withdraw from the marketing program and have their expenses restored.

Consumer demand for seafood in this country has been flat in recent years. While it is tempting to look to the federal government for help, we do not believe that the answers to the problems of the seafood industry lie in an expanded government role in the marketplace.

Challenges of supply, quality, and price face the New England seafood industry today and the industry is meeting those challenges with a regional, species-specific emphasis on seafood marketing.

If the federal government has a role to play in enhancing the seafood industry's marketing efforts, the existing regional and state-wide trade organizations and mar-

keting projects should be encouraged, supported and, if need be, expanded. In our judgment, the establishment of a National Seafood Marketing Council would diminish the successful marketing and seafood-education efforts that are already underway.

Thank you for your attention to and your consideration of our views.

With best regards, we are

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